

Members'

Handbook



The Institute of Cost Accountants of India
(Statutory body under an Act of Parliament)

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The Institute of Cost Accountants of India

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CMA RAKESH SINGH
PRESIDENT



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FOREWORD

(Third Edition)

I am happy to note that the Professional Development Committee is bringing out 3rd edition of “**Members’ Handbook**” after incorporating the latest developments in India with respect to regulatory framework. As members are aware that the Ministry of Corporate Affairs issued series of notifications/ circulars modifying the procedure of appointment of cost auditor by the companies, principle based cost accounting records rules 2011, revised cost audit report rules 2011 and filing of Cost Audit Report and Compliance Report in XBRL Format following costing taxonomy. Further, Ministry of Commerce & Industry, Directorate General of Foreign Trade (DFGT) accepted the role of cost accountants in EXIM Policy and Procedures and authorised them to certify all formats and statements of ‘Foreign Trade Policy and Procedures’. All these developments necessitated updation in the “Members’ Handbook”.

I also acknowledge the relentless contribution of CMA J.K. Budhiraja, Director (Professional Development) and all the staff members of Professional Development Directorate in the course of preparing and updating this publication.

I thank CMA S.C. Mohanty, Vice President of the Institute, CMA Sanjay Bhargava, Chairman and other members of the Professional Development Committee for their contributions in bringing out “Members’ Handbook”.

I am sure that the “Members’ Handbook” will prove to be very useful to members in practice and employment and also to students of the Institute.

(CMA Rakesh Singh)
President

4th January 2013
New Delhi



CMA SANJAY R. BHARGAVE
CHAIRMAN
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PREFACE
(Third Edition)

Professional Development Committee has brought out "Members' Handbook" in January 2011. The Ministry of Corporate Affairs issued series of notifications/ circulars on "Cost Accounting Records Rules 2011 and Cost Audit Report Rules 2011" and clarifications thereon in the year 2011-12. Also, during the year 2012 the Ministry of Commerce & Industry, Directorate General of Foreign Trade (DFGT) after considering the request of the Institute, issued Public Notice in October 2012 authorizing the cost accountants to certify all Formats and Statements at par with our sister Institute. Telecom Regulatory Authority of India (TRAI) also revised its Accounting Separation Regulations through "The Reporting System on Accounting Separation Regulations, 2012" and the Fertilizer Industry Coordination Committee (FICC) also changed the system of "Retention Price Subsidy Scheme". There were other changes in the regulatory framework, which required updation in "Members' Handbook". I am pleased to mention that all such changes have been incorporated in the revised edition of "Members' Handbook". The earlier editions of "Members Handbook" have been of great use for member and students.

This handbook covers comprehensively all materials which a Cost Accountant is required to know about the Institute. It includes brief about the Institute, MOUs entered into by the Institutes with other bodies, important provisions of Cost and Works Act and Regulations 1959, Code and Ethics, career and prospectus as Cost Accountants, practising areas under various Government Departments, Ministries and Regulatory Authorities, Acts and Provisions of Companies Act, Income Tax Act, VAT Acts etc. In addition to material that was previously published in the Members' Handbook, this third edition bridges the gap between the previous editions and includes updated information on all such areas mentioned above.

I would like to convey my sincere thanks to President CMA Rakesh Singh and Vice President CMA S.C. Mohanty for providing guidance and able leadership in the affairs connected with the PD Committee.

I would like to acknowledge the contributions of members of Professional Development Committee enabling to bring out revised and updated 3rd Edition of "Members' Handbook".

I would also like to acknowledge the untiring efforts of CMA J.K. Budhiraja, Director (Professional Development) and Secretary and his team to bring the handbook in the present form.

I am confident that this Handbook will be extremely useful to the members and students of the Institute and others interested in the subject.

(CMA Sanjay Bhargave)
Chairman

Professional Development Committee

New Delhi
4th January 2013

B.M.SHARMA
PRESIDENT



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Foreword

(First & Second Edition)

The Institute of Cost and Works Accountants was born as a limited company in 1944, to assist the Government's desire for checking valuation, costing and pricing after war. The Cost and Works Accountants Act was passed in 1959, as an Act of Parliament, and the ICWAI was born as a statutory body to promote, propagate and regulate the profession of cost accounting in the country.

ICWAI has since then grown from strength to strength and today it functions all across the country and has an active presence in all the Internal Accounting Bodies. ICWAI, being a professional Institute, is providing support to the Nation in academic excellence, knowledge-sharing and exploring their intellectual capital for socio-economic development. Today we have 4 regional councils, 91 chapters, 6 overseas centers, three centers of excellence, with the headquarters at Kolkata, catering to the needs of the members, occupying eminent positions in government, industry, academic world, and regulatory bodies. ICWAI's constant endeavour is to equip members both in service and profession so as to serve the Nation. The members' strength of ICWAI has also shown a remarkable growth, crossing 55,000 in this year.

I am happy to note that, as a continuation of this endeavour, has come out with this enlarged publication, titled "**Members' Handbook**", which shall be a first hand information for the members of our esteemed profession. I also congratulate all the staff members of the Directorate of Professional Development and Directorate of Studies for their relentless efforts and contribution in the course of preparing this publication. I hope that this publication will be useful reference to the Cost & Management Accountants.

With Best wishes,

B.M.Sharma
President

5th day of January, 2011



KUNAL BANERJEE

Chairman

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Preface

(First & Second Edition)

I have the pleasure in introducing “Members’ Handbook” – a ready reference for the members of the Institute both in practice and service. This handbook is divided in three volumes.

I have always been of the opinion that the cost and management accounting profession has a very important role to play in the economy. The increasing recognition for our professionals in different spheres of economic activity bears testimony to this fact. Our profession has an excellent window in terms of creating these services which will meet the need of the hour with the focus on enterprise governance with application of appropriate cost management tools and techniques, better and transparent reporting and providing a platform for serious examination of the risks of inadequate information.

In the changed economic environment the emphasis is shifting to efficiency review. Regulatory apparatus needs to foster efficiency and investment by eliminating outdated restrictions and promoting sustainable growth. Regulators are required to frame right regulations in the interest of the industry as a whole and also in the interest of the consumers and other stakeholders. Cost audit, supported by cost accounting standards, can provide relevant and credible cost and revenue data to the regulators to support their decisions.

The economic crisis shows that businesses run on solid fundamentals with clear assessment of profitability and liquidity requirements across different business segments will be able to sustain as well as enhance shareholder value. The management accountant’s major role will be in application of appropriate tools and analysis of business decisions for corporate sustainability and risk mitigation.

I hope that this publication will be a useful reference to all the members

With Best wishes,

Kunal Banerjee

Chairman,

Professional Development Committee

5th day of January, 2011

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ACKNOWLEDGEMENT

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Permanent Invitees to the Professional Development Committee:

CMA Rakesh Singh, President

CMA S. C. Mohanty, Vice-President

SECTION I

CHAPTER 1-CHAPTER 12



Chapter 1 About the Institute

1.1 Introduction

The Institute of Cost Accountants of India (hereinafter referred to as the Institute) is a premier, dynamic, vibrant professional institution actively associating itself in the industrial and economic development of the nation. The profession places itself at the service of the nation, government, industry, and the society to realize the objectives of a welfare state resulting in the prosperity and the well being of its people - a fact increasingly realized with the opening up of the country's economy and change in the economic scenario of the world. In today's world, the profession of conventional accounting and auditing has taken a back seat and accountants increasingly contribute towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for Cost Accountants to shoulder responsibility as Management Accountants in accordance with new dimensions and vision here in India and abroad. Members of this profession will be the driving force in the team of management while in employment and a key consultant, an effective Cost and Management Auditor and an appropriate advisor in place. This is why Cost Accountants in India are called Management Accountants all over the world.

ICAI, a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA) is the only statutory institute in the country specialised to develop and to regulate the profession of Cost and Management Accountancy in India.

ICAI set up in 1944 as a Company has been in the forefront with a special edge over other Institutions for its contribution to the society at large by creating wealth through increased efficiency and accelerating growth. It has not only developing the profession of Cost and Management Accountancy but also contributing services of the members and the Institute towards conservation and better optimal utilisation of scarce national resources. During the current meltdown, even the G-20 has recognised the importance of the profession of cost and management accountancy for cost reduction and risk management for survival and revival of industry and economy. Worldwide, businesses have given cognizance to the cost management practices for their survival and revival in their annual reports.

1.2 History of the Institute

It was during the early years of World War II, that the concept of cost as an independent entity made its beginning in the industrial circles of the world. Due to the prohibitive cost of defense operations, the then governments at war found it difficult to ascertain the price of defence purchases and thus evolved the concept of cost plus contracts. This forced the contractors to submit the cost of the work to be undertaken by them so that the contracts may be awarded them.

1945 brought the end of the war, and the nations ravaged by the effects of war began large-scale reconstruction of their economies through industrialization. The end of colonialism meant that many nations gained their independence, and this process increased rapidly. The importance of cost accounting as being central to the formation of government policies provided the foundation of the rapid growth of the profession. What began as a mere exercise in estimating the cost later developed into a movement for efficiency and optimum utilisation of scarce resources.

The Institute of Cost Accountants of India (erstwhile The Institute of Cost and Works Accountants of India) was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.

On 28th May, 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act, 1959 as a Statutory Professional Body for the regulation of the profession of cost and management accountancy in India.

It has since been continuously contributing to the growth of the industrial and economic climate of the country.



The Institute is the only recognised statutory professional organisation and licensing body in India specializing exclusively in Cost and Management Accountancy.

A Cost Accountant is a person who offers to perform or perform services involving the costing or pricing of goods and services or the preparation, verification or certification of cost accounting and related statements

The Head Quarters of the Institute is situated at CMA Bhawan, 12, Sudder Street, Kolkata 700016 and operates through four regional councils at Kolkata, Chennai, Delhi and Mumbai as well as through a number of chapters situated across the country in India and abroad.

1.3 Statutory Recognition

The Estimate Committee of the Parliament in its 9th report in 1956 made specific recommendation that in the light of the government policy of rapid industrialization, advent of public sectors deploying huge funds from public exchequer and the increasing importance of cost accounting in all economic activities, the Government should take steps to constitute an Institute of Cost Accountants as a statutory body under the Act of Parliament for producing adequate number of qualified Cost Accountants. To grant statutory recognition to the Institute, while moving the Cost and Works Accountants Bill for reference to the Joint Committee, the Deputy Minister of Commerce and Industry explained the nature and purpose of cost accounting as follows (Lok Sabha Debates, Vol. XXIV, dated 20th December, 1958, pp. 6608-09):

“Cost accounting is a function entirely different from general or financial accounting. Cost accountancy covers a wide range of subjects, with special emphasis on cost accounting, factory organization and management, engineering techniques, and knowledge of the working of the factories. The cost accountant performs services involving pricing of goods, preparation, verification, certification of cost accounts and related statements, or recording presentation or certification of cost facts or data. In a manufacturing concern, he works out the economical cost of production and evaluates its progress at each stage of production. In mass production enterprises, he points out wastage of manpower due to overstaffing or inefficient organization and indicates the output, the capacity of the machines and labour, the stock position, the movement of stores and weakness in the production process. The systematic determination of cost in every single and distinct process of manufacturing provides a continuous check on the margin of waste in the processing of raw and semi-finished materials, on the utilisation of machinery installed, on manpower expended and the percentage of rejection of finished products. This pinpoints also the particular process in which defects and deficiencies exist, thereby enabling immediate remedial measure being taken. Costing, in short, aims at making the organization efficient and economical, by providing the minimum of labour and material and getting the full capacity of the machine output. The cost accountant, therefore, is concerned solely and mainly with the internal economy of the industry, and renders services essential to the day-to-day management of the undertaking.”

1.4 Name Change

After passing the aforesaid Bill by both houses of Parliament, the Cost and Works Accountants Act 1959 came into effect on 28th May 1959. The Cost and Works Accountants Act, 1959 has been amended by the Cost and Works Accountants (Amendment) Act, 2006.

The name of the Institute has been changed to The Institute of Cost Accountants of India in the year 2012 by the Cost and Works Accountants (Amendment) Act 2011 passed by the both houses of Parliament. Name change was effected from 1st February 2012 and the members of the institute have been re-designated as ACMA and FCMA.

1.5 Mission Statement

“The Institute of Cost Accountants of India Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

1.6 Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally"



1.7 Objectives of the Institute

- i. To develop the Cost and Management Accountancy profession as a powerful tool of management control in all spheres of economic activities;
- ii. To promote and develop the adoption of scientific methods in cost and management accountancy;
- iii. To develop the professional body of members and equip them fully to discharge their functions and fulfill the objectives of the Institute in the context of the developing economy;
- iv. To keep abreast of the latest developments in the cost and management accounting principles and practices, to incorporate such changes which are essential for sustained vitality of the industry and other economic activities;
- v. To exercise supervision for the entrants to the profession and to ensure strict adherence to the best ethical standards by the profession;
- vi. To organize seminars and conferences on subjects of professional interest in different parts of the country for cross-fertilization of ideas for professional growth;
- vii. To carry out research and publication activities covering various economic spheres and the publishing of books and booklets for spreading information of professional interest to members in industrial, education and commercial units in India and abroad.

1.8 Management and Organization

In terms of Section 9 (1) of the Act, the management of the Institute is vested in the Council hereinafter referred as Central Council. The Central Council is comprised of 20 members. Out of which 15 members are elected by the members of the Institute from amongst the fellows of the Institute chosen in such manner and from such regional constituencies as specified by the Central Government and 5 members are nominated on the Council in specified manner by the Central Government. No person holding a post under the Central Government or State Government is eligible for election to the Central Council in terms of Section 9 (2) (a) of the Act. Also a person who has been auditor of the Institute shall be eligible for election to the Central Council for a period of three years after he ceases to be an auditor.

Institute with its present organizational structure operates through four Regional Councils at Kolkata, Chennai, Delhi & Mumbai and 95 Chapters situated at important cities in the country and 8 Overseas Centres mainly to provide coaching facilities to the students, organize professional development programmes for members, public relations drive to propagate the message of the profession among the local industries, government and other bodies, with its headquarters at Kolkata and an office at Delhi. The Regional Councils shall advise and assist the Central Council in carrying out provisions of the Act. The Institute is under the administrative control of Ministry of Corporate Affairs.

1.9 Institute's Main Course

In view of recent changes in India pursuant to notification by the Ministry of Corporate Affairs on mandatory maintenance of cost records and cost audits for corporate entities, there is a sea-change in regulatory structure to bring about a corporate discipline and governance mechanism and to meet the International Standards set by IFAC and IAESB (International Accounting Education Standards Board) through IEG (International Educational Guidelines), the Institute has revised its existing curriculum "Syllabus 2008" to "Syllabus 2012" for introduction w.e.f. 1st December, 2012. Students admitted to the Courses of the Institute, w.e.f. 1st December, 2012 shall pursue Courses under "Syllabus 2012". The First Examination under "Syllabus 2012" shall be conducted in December 2013. Considering the changing economy scenario and need of the Industry, the Institute revises its syllabus every four years.

Structure of the revised syllabus 2012 is as follows:

The syllabus of the Institute is based on the philosophy of four pillars, namely strategy, management, accounting and regulatory environment. At the intermediate level, it focuses on accountancy and a regulatory environment and at the final stage, it focuses on strategy and management.

Foundation course is an Entry Level Programme for non-graduate students.

Intermediate Course and Final Course comprise of sixteen subjects. These subjects provide balanced and comprehensive knowledge which is evenly distributed among four knowledge pillar.



FOCUS AREAS OF THE PROFESSION



1.10 Students and Members

Due to recent changes in the fields of maintenance of cost accounting records and cost audit mechanism and changes in the other regulatory requirements, the scope for practice and employment opportunities for members of the Institute has increased tremendously. The students intake has also witnessed exponential growth. Presently Institute has more than 4,50,000 students and more than 58,000 qualified members.

1.11 Certificate Course– CAT

The Institute launched a “Certificate in Accounting Technicians”- CAT Course in the year 2008 in view of heavy demand of accountants at junior level. This course paves the way for the students with a job-in hand on successful completion of the course.

The CAT course has been designed to equip the candidates with the knowledge of maintenance of accounts, preparation of Income Tax Return, Service Tax Return, Filing of Returns under Companies Act, Filing of Returns under Income Tax, VAT, Service Tax, Central Excise and Custom Act etc. The CAT passed candidates would be instrumental in fulfilling the huge gap between demand and supply in various sectors, like Small and Medium Enterprises (SMEs), Business Process Outsourcing (BPOs), Knowledge Process Outsourcing (KPOs), Retail, e-Chaupals, etc

CAT Course is of one year duration for 12th (10+2) passed students. It comprises of two Levels- Foundation course (Entry Level) Part-I and Competency Level-Part II. It is offered in two medium- English and Hindi.

Advanced Courses

The Institute has introduced the following three advanced courses for members of the Institute and non-members:

- (i) Business Valuation and Corporate Restructuring with six months duration
- (ii) Treasury and Financial Risk Management with six months duration
- (iii) Enterprise Performance Management and Appraisal System with three months duration

The above advanced courses have been conceived and structured to reflect the Current trends in the Market. The courses are monitored by the Board of Advanced Studies constituted with eminent experts from Academia, Industry, Government and Consultancy. These Programs are designed to ensure a continuous supply chain of Capable and Competent Leaders, to cater to the demanding needs of Industry, Government and the Regulators. For more details regarding courses are hosted on the Institute website.

1.12 CMA Support Centres

The institute has set up Regional Councils and Chapters at several places all over the country for providing services and facilities to the students and members. The institute has decided to set up CMA Support Centres in the areas/cities/towns where the chapters could not be set up for want of the requisite number of Members and students, but have the potential for the growth of the profession. CMA Support Centers may give the requisite guidance and the sense of direction to the prospective students undergoing or aspiring to undergo the courses of the institute in such areas. If the following individuals/ Institutes/



Organizations meet the conditions as laid down in the guidelines for setting up CMA Support Centers, they may be recognized as CMA Support Centres:

CMA Support Center could be an Individual, AOP, College, Institution or ROCC as already constituted for the CAT course of Institute.

1. CMA Support Center seeking such recognition should apply in the prescribed format. (Annexure – 1)

On becoming CMA Support Centre, name and/or Identification number shall be allotted by the Institute for each of the CMA Support Center.

The guidelines for setting up CMA Support Centers have been hosted on the Institute website.

1.13 Recognition of CMA qualification for Ph.D. purpose

CMA qualification has been recognised by the Academic Councils of many Universities in India including IGNOU for the purpose of admission of the Ph.D courses in Commerce. It was resolved by Association of Indian Universities to accept Bachelor Degree-holders who have CMA Qualification for registration as M.Phil. and Ph.D candidates in commerce and allied disciplines vide their letter nos. EV/II/(2)/91/80878 dated 16.8.1991 and EV/II/(2)/2000/179741 dated 29.11.2000. AIU indicated in the aforesaid letter that their 'Resolution' has been conveyed to all the Universities vide their minutes in 1992.

1.14 Placement Facility

The Institute course is job oriented. There are two ways for placement of recently passed CMAs. Firstly, the Institute has centralized campus placement scheme for fresh qualified CMAs from the June and December batches. Under the centralized campus placement scheme, the Private and Public Sector Undertakings participate in campus selection at 4 locations -Delhi, Mumbai, Chennai and Kolkata at the pre-announced dates and time. Secondly, the Institute organizes customized campus placement as per the mutually convenient date and time at desired location for recruiting companies in accordance with their internal recruitment criteria. Many of the PSUs such as Coal India, ONGC, NMDC, STC, MMTC, Allahabad Bank and Corporates like Nestle, TCS, HCL, TVS, Vedanta, Wipro, Jindal Steel regularly visit the campus, scouting for talented CMAs. Over the last few years, there has been a gradual rise in the placement percentage and package offered.

1.15 Research and Publications

The Institute carries out research activities and publishes research journal on half year basis. ICAI publishes its house journal, the Management Accountant, every month, which is acclaimed by readers from various segments. The Institute also publishes various research publications of topical importance.

1.16 Research Initiatives

The Institute has taken many initiatives in the recent past. The Institute has been Knowledge Partner with ASSOCHAM throughout the country. Many more partnership initiatives with different reputed Universities, Institutes and Colleges are in process for research collaborations, joint publications, faculty exchange, seminars, workshops etc. The Institute has been working with Central Agricultural University, Imphal, Manipur; Uttar Banga Krishi Viswavidyalaya, Cooch Behar, West Bengal; National Institute of Bank Management, Pune, Maharashtra; Tripura University, Tripura, etc.

Research publications are being published in collaboration with reputed publishing houses. Some of where the Institute has taken up research publications are Capital Market, Panchayats, Urban Development, Health etc. New research initiatives are being undertaken in various economic fields such as Health, Education, Corporations, Panchayats, Co-operatives etc.

1.17 Special Assignment of Socio-Economic Importance

The Institute as a specialized body in Cost and Management Accountancy has carried out applied research studies on various subjects such as- "Working Capital Management" in Public Sector Units, "Pricing Policy" in Dredging Corporation of India, "Feasibility of Introduction of Costing System" in Indian Navy, "Cost Accounting Systems" in Indian Army, Cost Study in Indian Railways, "Cost of Medical and Dental Education" in Private Medical and



Dental Colleges in Maharashtra, “Ascertainment of Cost of Production” of 8 Spindle Charkhas” for Khadi and Village Industries Commission, “Costing Systems for Generation, Transmission and Distribution of Electricity” for Maharashtra State Electricity Board, Study of Domestic Auction Market of Tea in India for Competition Commission of India, Study on Cost of Production of Green Tea Leaf and Cost of Manufacturing of made Tea of Estate Factory, for Tea Board, Bench Marking Tools for Panchayati Raj Institutions, for Indian Audit & Accounts Department, CAG etc.

The Institute is advisor to Department of Posts (DOP) for developing Tariff for various Products and Services provided by DOP, based on “Activity Based and Marginal Costing Systems with ERP Module”

Objectives of these applied research projects are to assist the strategic, public service oriented organizations, government and government departments.



Chapter-2

Memorandum of Understanding (MOU) and Foreign Collaborations

The Institute has signed the following MOUs with various Institutes in India and outside India for professional and academic development of members and students, the contents of MOUs in brief are mentioned below:

MOUs signed in India

2.1 MOU for Academic and Ph.D. courses with IGNOU

The Institute and Indira Gandhi National Open University (IGNOU) entered into an MOU on 11th July 2008 to offer specialized B.Com and M.Com Programs for its students. Students can simultaneously study the specialized B.Com (Financial & Cost Accounting) programme with Foundation/Intermediate Courses of the Institute and specialized M.Com (Management Accounting & Financial Strategies) with Final Course of the Institute. The scheme facilitates the student to obtain dual degree simultaneously. The objectives of the Scheme is to enable students to improve their learning process by acquiring knowledge in new areas rather than concentrating in the same subjects, which are covered in the education scheme of the Courses of the Institute. Both specialized B.Com and M.Com are offered by IGNOU in Hindi and English.

Further, IGNOU got very good education infrastructure viz. **Gyan Darshan-I** - A satellite based four TV channel, **FM Radio network** of 25 **Gyan Vani** etc. the tie up with the Institute result in better harnessing of the resources in professional education available with IGNOU.

B.COM WITH MAJOR IN FINANCIAL AND COST ACCOUNTING [B. COM (F&CA)]

Duration of B.Com course is 3 years for those students getting admission in Foundation course of the Institute and specialized B.Com course of IGNOU simultaneously. Total duration of specialized course of B.Com is minimum 3 Years and Maximum 6 years with a provision for readmission after the completion of maximum duration. However, minimum duration for specialized B.Com course for Foundation course passed and Intermediate passed students of the Institute is 2 years and 1 year respectively. Eligibility for admission in specialized B. Com course is 10+2 or its equivalence; and (ii) Registration in Foundation course of the Institute. Students who have passed Intermediate Course of the Institute shall also be eligible for admission provided they have completed Foundation Course of the Institute.

Degree in Bachelor in Commerce (B.Com) major in Financial & Cost Accounting will be awarded by IGNOU after passing four papers of IGNOU and Intermediate course of the Institute. The 4 papers of IGNOU which are to be passed by the Intermediate passed student as follows:

1. Foundation Course in Humanities and Social Sciences
2. Export Procedures and Documentation
3. Business Environment
4. Communications Skill in English Or English for Practical Purposes

MASTER OF COMMERCE IN MANAGEMENT ACCOUNTING & FINANCIAL STRATEGIES [M.COM (MA & FS)]

Duration of specialized M.Com Course in Management Accounting & Financial Strategies is minimum 2 years and maximum 5 years with the provision of readmission on the completion of maximum period. Intermediate examination passed students of the Institute and graduates in any discipline can pursue M.Com with IGNOU. The Candidates who have already passed the CMA Final Examination may also be eligible for admission; however, they can complete the specialized course of M.Com (MA&FS) in one year.

The programme comprises of 4 courses of IGNOU and passing of Final Examination of the Institute. The 4 papers of IGNOU which are required to be passed by a candidate for award of specialized M.Com degree are:

1. Organization Theory and Behaviour
2. Research Methodology and Statistical Analysis
3. International Business Environment or Business Environment
4. International Marketing Management or Marketing Management

The Student Handbook and Prospectus is made available by IGNOU on its website at <http://www.ignou.ac.in>.



The application form can be downloaded from the website and submitted to the Regional Director concerned along with requisite Programme fee.

2.2 MOU with Central Board of Excise and Customs for CFC under ACES Scheme

The Institute has entered into an MOU with Central Board of Excise and Customs (CBEC) which enables Cost Accountants in whole-time practice to set up Automation of Central Excise and Service Tax (ACES) Certified Facilitation Centres (CFCs) and offer various services such as digitization of paper documents and on-line filing/ uploading of documents such as Application for Registration, filing of returns, refunds, accounting, disputes resolution, audit, provisional assessment, exports, claims, intimations and permission to assessees. The initiative aims at providing services to taxpayers who may not have requisite IT infrastructure/resources, to use ACES. The services provided by the cost accountants in practice would be available on payment of prescribed services charges as agreed with CBEC. The ACES Project will reduce physical interface of assessees with Department (CBEC) and would save time both for the department and the assessees. It also facilitate online tracking of the status of the selected documents, online viewing and internal messaging. Cost Accountants in whole-time practice may act as Certified Facilitation Centres (CFC) under the ACES Scheme of CBEC if he/she fulfills the terms and conditions of ACES Scheme and after approval of the institute of Cost Accountants of India. For approval to act as CFC, a Cost Accountant in whole-time practice is required to apply on-line in the prescribed application form available on Institute's Website.

2.3 MOU with MCX Stock Exchange Ltd. (MCX-SX), Mumbai

The Institute has entered into a Memorandum of Understanding (MOU) with MCX Stock Exchange Ltd (MCX-SX), Mumbai for Knowledge Partnership. The objectives of this MOU are:

1. Organising seminars on financial markets, various asset classes, cost accounting standards and best practices for effective corporate functioning.
2. Conducting various kinds of certification programs on financial markets by the Institute with knowledge/ support of MCX SX.
3. Conducting research and other related activities in financial markets, corporate reforms and impact of cost accounting standards.
4. Organizing short term courses on various issue of topical interest in financial markets and various assets classes by the Institute with technical knowledge/ support of MCX SX.

2.4 MOU with Super Religare Laboratories (SRL)

The Institute joined hands with SRL by entering into an MOU for a comprehensive health check-up plan as well as diagnostics for the Institute's members, students, employees and their families at special discounted rates. SRL may also organize onsite health camps across all locations of the Institute in the country as per requirement. Comprehensive health checkup plan for the Institute's family is available at a discounted rate of 50% on specially customized "Wellness Packages" as well as discounts on all diagnostic tests which will ensure better health management to all.

2.5 MOU with Food Corporation of India (FCI)

The Institute entered into an MOU with Food Corporation of India (FCI) (Government of India Undertaking) on 28th February'2012. As per the MOU the intermediate passed students of the Institute will be able to undergo Practical Training with FCI. The students of the Institute will get wider exposure to the working of a giant organization FCI. The training period spent by the students with FCI will be counted while granting membership after qualifying the final examination by a student of the Institute. The Students selected by FCI will be positioned in any of the units of FCI spread across the country.

2.6 MOU with CMJ University, Shilong

The Institute has entered into an MOU with CMJ University, Shilong. Salient features of this MOU are as follows:

1. Holding joint workshops, seminars, continuing education and training programs for practicing professionals and corporate executives on themes of topical and professional interest on equal surplus / deficit sharing basis.



2. Regularly exchange Journals published by each other on a complimentary basis, with a liberty to reproduce in each other's publications such portion which may be of interest subject to acknowledging the source.
3. Regularly exchange of course materials, case studies, research publications and other academic and research inputs.
4. Undertaking joint research projects which are mutually beneficial.
5. Reciprocation of participation in National and International conferences organized by the each other.
6. Extending help and co-operation in developing curriculum of academic and continuing education programs, on such terms as may be mutually agreed to, including Joint Meeting of Curriculum Development Committees.
7. Developing jointly study material under Distance Education Program, on such terms as may be mutually decided.
8. CMJ University to recognize membership of the Institute, as equivalent to Master Degree for the purpose of pursuing Ph. D in commerce and allied disciplines.
9. The Institute agrees to open its Representative Office at the Campus of CMJ University for the enrolment of students for Cost Accountancy Course and to provide other services to students of the Institute including setting up of Study Centre.
10. Exchange of faculties as may be mutually agreed to subject to convenience of the parties thereto.
11. Organization of programs jointly for training the trainers for mutual benefit and advantage.
12. Any other matter of mutual interest including sharing of facilities like infrastructure, library, reading room etc. as may be mutually agreed.

2.7 MOU with Government of Kerala

The Institute entered into a Memorandum of Understanding (MOU) with Higher Education Department, Government of Kerala on 22nd August 2012. The Institute has become Knowledge partner in the Banking and Finance for implementing the Additional Skill Acquisition Programme of Government of Kerala for equipping the youth of Kerala with employable skills. It is a tri-partite Memorandum of Understanding which envisages educating those who cannot go for higher education and are forced to give up after the 12th standard.

Foreign Collaborations and MOU

2.8 MOU with CIMA, UK

The Institute has entered into a Memorandum of Understanding (MOU) with Chartered Institute of Management Accountants (CIMA), United Kingdom (U.K.) to enable mutual co-operation of the two institutes to develop the profession of Management Accountancy for the benefit of their members and students in the pursuit of excellence in education and training and continuing professional development in Management Accountancy.

As per MOU both the Institutes agreed to work towards recognizing the professional qualifications of each other, assist and cooperate in conducting applied research on management accounting; exchange of study materials; development, updating and exchange of curriculum; conducting seminars, conferences and joint activities; development of management accounting guidelines and ensure high ethical standards of the profession and their members.

Under the MOU, CIMA has agreed to exempt following papers for the CMA candidates who have successfully passed the final examination of the Institute.



a) Complete exemption from **CIMA Certificate Level** comprising of the following five papers:

Paper C1 - Fundamental of Management Accountings.

Paper C2 - Fundamental of Financial Accounting.

Paper C3 - Fundamental of Business Mathematics.

Paper C4 - Fundamental of Business Economics.

Paper C5 - Fundamental of Ethics, Corporate Governance & Business Law.

b) Exemption from six papers of CIMA Managerial Level Examinations:

Paper P1 - Management Accounting Performance Evaluation. Paper P2 - Management Accounting Decision Making.

Paper P4 - Organizational Management and Information Systems. Paper P5 - Integrated Management.

Paper P7 - Financial Accounting and Tax Principles.

Paper P8 - Financial Analysis.

CMA qualified candidates will take direct entry to CIMA's Strategic Level examinations through a "CIMA Professional Gateway Assessment" (CPGA). Following successful completion of the CPGA by the student of the Institute will be awarded the **CIMA Advanced Diploma in Management Accounting**.

On the reciprocal, the Institute has agreed to exempt CIMA qualified candidates as below:

a) Complete exemption from **Foundation Course** examination which comprise of following 4 papers:

Paper 1 - Management Fundamentals.

Paper 2 - Accounting.

Paper 3 - Economics and Business Fundamentals.

Paper 4 - Business Mathematics and Statistics.

b) Exemption from the other following 8 papers:

Paper 5 - Financial Accounting.

Paper 8 - Cost and Management Accounting.

Paper 9 - Operation Management & Management Information Systems.

Paper 12 - Financial Management & International Finance.

Paper 13 - Management Accounting-Strategic Management.

Paper 15 - Management Accounting-EPM.

Paper 16 - Advanced Financial Accounting & Reporting.

Paper 18 - Business Valuation Management.

The examination generally takes place in May every year. Presently, the following are venues currently available in India for CIMA examination:

- ❖ Bangalore
- ❖ Ahmedabad
- ❖ Chennai
- ❖ Hyderabad
- ❖ Kolkata
- ❖ Mumbai
- ❖ New Delhi
- ❖ Pune

In case number of candidates are large, CIMA may consider holding the CPGA in other Indian centres also.

The Fees for the CPGA Examination will be £40 per sitting;



Students on the "CPGA" scheme will be EXEMPTED from paying any exemption fees for the 11 exempted papers available to CMA Qualified students; Registration fees and annual subscriptions are the same as all other CIMA students and details are available on CIMA website; A candidate has to retain his membership with the Institute of Cost Accountants of India to maintain membership with CIMA and vice versa.

2.9 MOU with the Institute of Management Accountants (IMA), USA

The Institute entered into a Memorandum of Understanding (MOU) with the Institute of Management Accountants (IMA), USA on 30th March 2009 to enable mutual recognition and cooperation between the two institutes to develop the profession of Management Accountancy for the benefit of their members and students in the pursuit of excellence in education and training and continuing professional development in Management Accountancy. The MOU will bring mutual recognition and global cooperation between members of Institute and of IMA while continuing their long standing relationship.

The salient points of MOU are as follows:

1. Both the Institutes agree to grant membership to members of other Institute on reciprocal basis after paying their prescribed entrance fee, annual membership fee and examination exemption fee.
2. MOU provides for total exemption in the examination and training to become member of other Institute.
3. Member of an Institute will continue to hold membership of other Institute subject to holding of valid membership of qualifying Institute.
4. Memberships of each other Institute is contingent upon having met and continued to meet all educational, experience, continuing education and ethics requirements of both the Institute of Cost Accountants of India and IMA, USA and also having paid the necessary dues of both Institutes.
5. However, member of other Institute shall not be entitled to contest and cast vote in the Central/Regional Council Elections of respective Institute.
6. Further, IMA member shall not be entitled to hold practising license to undertake any statutory work in India.
7. Both the Institutes agree to exchange their study materials, past question papers, model answers, training of examiners and connected matter thereto.
8. Joint Research Programs in conducting applied research on management accounting and other related areas.
9. Conduct joint seminars, conferences and other joint activities mutually benefitted to both.
10. Assist each other in development of management accounting guidelines and standards.
11. Exchange of Journals and other publications and also permit each other to publish any articles in the journal.

2.10 MOU with Professional Accountants and Auditors of Russia (IPR Russia)

The Institute entered into a Memorandum of Understanding (MoU) with the Institute of Professional Accountants and Auditors of Russia (IPAR) on 23rd December, 2010 aiming at long term cooperation to achieve perfection in business accounting, management accounting and audit in both the countries. Salient points of the MOU are as follows:

1. To develop joint R&D projects and promote the results of the researches in work practice of accounting community of both the countries
2. To cooperate in various forms by realization of the rights and the economic competence of both the institutes stipulated by the current legislation and organizational and legal documents, specifying the status of the institutes.
3. To provide informative, organizational and other assistance to each other within the framework of this MOU.
4. Both the institutes will work towards the admission of the individual members of each of the institutes as individual members of the other institute.



5. Each of the institutes shall assist the other institute in interaction with the government, public and private organizations of the country and assist the members in participation in the events, conducted by the institutes.
6. To provide to each other the information and organizational assistance concerning their activity.
7. The institutes shall assist each other in gaining recognition and entry to the membership of related international and inter-regional professional associations and other bodies and represent the interests of the other institute in interaction with the third institutes – the professional organizations (national, inter-regional and international).
8. Each of the institutes shall support the regular reference to the website of the other institute on its own site and will inform each other about the substantial changes in the documents coordinating their activity.
9. Each of the institutes agrees to exchange information on the issues regarding accepted disciplinary actions as well as take into account the disciplinary actions accepted by the other institute in regard to specific members.

2.11 MOU with National Institute of Accountants (NIA), Australia

The Institute entered into an MOU on 9th March, 2011 with National Institute of Accountants, Melbourne, Australia [now known as IPA (Institute of Public Accountants)] with the following aims:

1. To develop the profession of accounting for the benefit of their members and students in the pursuit of excellence in education and training and continuing professional development in accounting including cost and management accountancy.
2. To create a harmonious relation between the Institutes to move forward globally, in order to enable, achieve optimum potential, for the member of the profession in the International arena.
3. To recognize the professional qualifications and professional development programs offered by each Institute.
4. To permit members who obtain membership through this alliance to practice subject to the Local Laws applicable.
5. To enable members to assist and cooperate in conducting applied research on management accounting and related areas through an appropriate mechanism with focus on contemporary domains.
6. To enable members to invite, support, attend and conduct seminars, conferences and joint activities mutually beneficial to both the parties with a focus on contemporary areas such as IFRS, Business Valuations, etc.
7. To allow the members and students of each Institute to visit, use and consult the libraries of the respective Institutes and access/linkage to the websites of each Institute from their own websites.
8. To share developments in the areas of common interest at the international level including interaction with UN and other Regional/ International/ Multinational bodies and Institutes.

2.12 MOU with Chartered Institute for Securities and Investment (CISI), UK

The Institute entered into an MOU with Chartered Institute for Securities and Investment (CISI), UK for awarding the membership of CISI to members of the Institute of Cost Accountants of India and concessional fee for CMA students.

The CISI will offers entry of its membership to Associate (ACSI) level and Member (MCSI) level to members of the Institute with three years' relevant experience. Both the Institutes also agreed to conduct seminars and conferences on contemporary areas such as IFRS, business valuations etc. Further, they have also agreed to share developments in the areas of common interest at international level.



The MOU will pave way for long term cooperation in the field of management accounting, risk management, Assets Servicing, global securities operations and investment in both countries. To give benefit to the students of both the institute it has been agreed by CISI to offer their courses to the student of other institute at a special concessional fee.



Chapter-3

Membership with International Accounting Bodies

3.1 Role of International Federation of Accountants (IFAC)

The Institute is a founder member of International Federation of Accountants (IFAC). IFAC is the global organization for the accountancy profession. Founded in 1977, IFAC is a Swiss-registered association whose members are professional accountancy bodies. It works with its 167 members and associates in 127 countries and jurisdictions to protect the public interest by encouraging high quality practices by the world's accountants. IFAC members and associates, which are primarily national professional accountancy bodies, represent 2.5 million accountants employed in public practice, industry and commerce, government, and academia.

IFAC's role is threefold: to establish and promote adherence to high quality international standards, to facilitate collaboration and cooperation with member bodies, and to serve as spokesperson for the international profession on relevant public policy issues.

Through its independent standard-setting boards, IFAC develops international standards on ethics, auditing and assurance, education, and public sector accounting standards. It also issues guidance to support professional accountants in business, small and medium practices, and developing nations. In addition, IFAC issues policy positions on topics of public interest and comment letters on matters relevant to the profession.

IFAC's boards set the following standards:

- International Standards on Auditing, Assurance Engagements and Related Services
- International Standards on Quality Control
- International Code of Ethics
- International Education Standards
- International Public Sector Accounting Standards

In addition, IFAC develops benchmark guidance and promotes the sharing of resources to serve professional accountants in business. It has also established groups to address issues pertaining to small and medium practices and enterprises and developing nations, all of which play a critical role in the global economy.

IFAC's structure and governance are designed to promote transparency, to facilitate collaboration with members and consultation with stakeholders, and to ensure the effective operations of the organization.

Ultimate governance of IFAC rests with the IFAC Council, which comprises one representative from each member. The Council meets once a year and is responsible for deciding constitutional and strategic matters and electing the Board. The Board is comprised of the President and 21 individuals from 18 countries. These members are elected for up to three-year terms and are responsible for setting policy and overseeing IFAC operations, the implementation of programs, and the work of IFAC boards and committees.

More details about the IFAC can be seen at: <http://www.ifac.org> email: pr@ifac.org

3.2 Role of Confederation of Asian and Pacific Accountants (CAPA)

The Confederation of Asian and Pacific Accountants (CAPA) represents national accountancy organization in the Asia-Pacific region. CAPA has a membership of 31 accountancy organizations in 24 jurisdictions. CAPA is by far the largest regional accountancy organization and its geographical area spans half the globe. CAPA has a permanent Secretariat and an office based in Kuala Lumpur, Malaysia.

The idea of CAPA was conceived at the First Far East Conference of Accountants that was held from November 28 to December 1, 1957 in Manila, Philippines. However, it was only in 1976 that the Confederation of Asian and Pacific Accountants was formally established.

CAPA Role in the Asia-Pacific region is to enable the profession to provide services of consistently high quality in the public interest. CAPA assists the accounting profession in emerging countries in the Asia-Pacific region. The following are the objectives of CAPA:

- Enhance the standards and development of the profession by promoting harmonisation through the adoption of IFAC and IASB pronouncements.



- Assist with the formation and development of national and intra-regional organizations which serve the interests of accountants in public practice, commerce, industry, public sector and education.
- Foster a strong and cohesive profession by providing leadership on emerging issues, coordinating with IFAC, other regional, intra-regional organizations, member bodies and associates to achieve appropriate strategic objectives.
- Promote the profession's role, responsibilities and achievements in advancing the interests of member bodies and in serving the public interest.
- Liaise with international and regional organizations to influence the development of efficient capital markets and international trade in services.

CAPA's region span is Australia, Bangladesh, Canada, China, Fiji, France, India, Japan, Korea, North Korea, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Papua New Guinea, Philippines, Samara Region, Samoa, Solomon Islands, Sri Lanka, United Kingdom and USA. All of them have diverse economies of varying levels of maturity. The diverse resources and skills of these members are a unique strength of CAPA, which is used to benefit all its members.

A Board of up to twelve members is elected every four years from within the membership. The Board is assisted by two active committees, members of which are selected from within the Board, with the exception of the Chair of the Governance & Audit Committee.

CAPA is involved with IFAC, other regional accountancy organizations and other major world and regional development agencies such as the World Bank, OECD, UNTAD and ADB to discuss on Aid projects for developing and emerging countries.

More details about the CAPA can be seen at: www.capa.com.my

3.3 Role of South Asian Federation of Accountants

South Asian Federation of Accountants (SAFA) was formed in the year 1984 to serve the accountancy profession in the South Asian Region and uphold its eminence in the world of accountancy. SAFA is an Apex Body of the South Asian Association for Regional Co-operation (SAARC) and a Regional Grouping of International Federation of Accountants (IFAC). SAFA represents over 170000 accountants having membership of the national chartered accountancy and cost and management accountancy institutions in the South Asian countries namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. SAFA came into existence at the initiative of the accounting professional bodies in the South Asian Region, which has a bond of culture and homogeneity of professional environment.

SAFA is committed to positioning, maintaining and developing the accountancy profession in South Asian Association for Regional Co-operation (SAARC) Region and ensuring its continued eminence in the world of accountancy; in the public interest and towards broad economic development of the region. SAFA role in this context is as follows:

- To understand the profession in the regional context and continuously work towards its development in keeping with global trends;
- To participate and play the leadership role on the International forums;
- To promote harmonize accountancy profession in SAARC Region and in keeping with global development;
- To play promotional role for the countries within its jurisdiction, where the accountancy profession does not exist or is not sufficiently developed;
- To promote and set professional standards;
- To act as interface between international bodies and member-bodies;



- (g) To promote and develop state-of-the-art research compact; and
- (h) To carry out such other activities as are necessary or ancillary to the above in furtherance of the development of Accountancy profession in the SAARC Region.
- (i) The current membership of SAFA represents the eight professional accountancy bodies in India, Bangladesh, Nepal, Pakistan and Sri Lanka. The following are the members from respective SAARC countries:

India

The Institute of Chartered Accountants of India (ICAI)
The Institute of Cost Accountants of India

Bangladesh

The Institute of Chartered Accountants of Bangladesh (ICAB)
The Institute of Cost and Management Accountants of Bangladesh (ICMAB)

Nepal

The Institute of Chartered Accountants of Nepal (ICAN)

Pakistan

Institute of Chartered Accountants of Pakistan (ICAP)
The Institute of Cost and Management Accountants of Pakistan (ICMAP)

Sri Lanka

The Institute of Chartered Accountants of Sri Lanka (ICASL)
The Institute of Certified Management Accountants of Sri Lanka

The SAFA Board comprises of President, Vice-President, Immediate Past President, Secretary-General and one member nominated by each of the member-body and who can be accompanied in the meeting of the SAFA Board with one technical advisor. The Vice-President will be the member nominated by the body, which he represents, and the said body does not have any right to nominate any member on the Board during the tenure of Vice-President. Every member of the Board other than President, Vice-President and Immediate Past President shall have tenure of three years and shall be liable to retire by rotation. A person cannot be a member of the Board for more than two consecutive terms. A term served in part would constitute as a one full term served.

More details about the CAPA can be seen at: <http://www.esafa.org>



Chapter-4 Important Code of Ethics for members

The members of Institute are bound to follow code of professional ethics. The code stipulates and binds them to the highest level of care, duty and responsibility to their employers and clients, the public and their fellow professionals.

4.1 Standards for code of ethics for members

Members will:

- (i) maintain at all times independence of thought and action;
- (ii) not express an opinion on cost / financial reports or statements without first assessing her or his relationship with her or his client to determine whether such Member might expect her or his opinion to be considered independent, objective and unbiased by one who has knowledge of all the facts; and
- (iii) When preparing cost / financial reports or statements or expressing an opinion on cost/ financial reports or statements, disclose all material facts known to such Member in order not to make such cost / financial reports or statements misleading, acquire sufficient information to warrant an expression of opinion and report all material misstatements or departures from generally accepted accounting principles.
- (iv) not disclose or use any confidential information concerning the affairs of such Member's employer or client unless acting in the course of his or her duties or except when such information is required to be disclosed in the course of any defense of himself or herself or any associate or employee in any lawsuit or other legal proceeding or against alleged professional misconduct by order of lawful authority or any committee of the Society in the proper exercise of their duties but only to the extent necessary for such purpose;
- (v) inform his or her employer or client of any business connections or interests of which such Member's employer or client would reasonably expect to be informed;
- (vi) not, in the course of exercising his or her duties on behalf of such Member's employer or client, hold, receive, bargain for or acquire any fee, remuneration or benefit without such employer's or client's knowledge and consent; and
- (vii) take all reasonable steps, in arranging any engagement as a consultant, to establish a clear understanding of the scope and objectives of the work before it is commenced and will furnish the client with an estimate of cost, preferably before the engagement is commenced, but in any event as soon as possible thereafter.
- (viii) conduct himself or herself toward other Members with courtesy and good faith;
- (ix) not accept any engagement to review the work of another Member for the same employer except with the knowledge of that Member, or except where the connection of that Member with the work has been terminated, unless the Member reviews the work of others as a normal part of his or her responsibilities;
- (x) not attempt to gain an advantage over other Members by paying or accepting a commission in securing management accounting work;
- (xi) not act maliciously or in any other way which may adversely reflect on the public or professional reputation or business of another Member.



- (xii) at all times maintain the standards of competence expressed by the Institute from time to time;
- (xiii) undertake only such work as he or she is competent to perform by virtue of his or her training and experience and will, where it would be in the best interests of an employer or client, engage, or advise the employer or client to engage, other specialists;

4.2 Objectives of guidelines for code of ethics

The above Guidelines recognize that the objectives of the accountancy profession are to work to the highest standards of professionalism, to attain the highest levels of performance and generally to meet the public interest requirement. These objectives require four basic needs to be met:

- (a) Credibility in information and information systems;
- (b) Professionalism identified by employers, clients and other interested parties;
- (c) Quality of service carried out to the highest standards of performance; and
- (d) Confidence that there is a framework of professional ethics to govern the provision of services.

In order to achieve the objectives of the accountancy profession, cost accountants have to observe fundamental principles, which are:

- (i) **Integrity:** A cost accountant should be straightforward and honest in performing his services.
- (ii) **Objectivity:** A cost accountant should be fair and should not allow prejudice or bias or the influence of others to override objectivity.
- (iii) **Competence:** A cost accountant must refrain from performing any service which he is not competent to carry out unless proper advice and assistance is obtained to ensure that the service is performed to the satisfaction.
- (iv) **Confidentiality:** A cost accountant must not disclose information acquired during the course of his engagement and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.
- (v) **Professional Behaviour:** A cost accountant should act in a manner consistent with the good reputation of the profession.

In addition to the fundamental principles as above, a cost accountant in practice, should be and appears to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.

4.3 Members to be known as Cost Accountants: This is as per Section 7 of the Act *ibid*.

4.4 Disabilities: This is as per Section 8 of the Act *ibid*.

4.5 Procedure in enquiries for Disciplinary matters relating to misconduct of the Institute

This is as per Section 21 of the Act *ibid* read with Cost Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. The Cost Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 is attached as Annexure to this Handbook.

4.6 Penalty for falsely claiming to be a member, etc.

Section 24 of the Act provides:
Any person who,—



- (i) not being a member of the Institute—
- (a) represents that he is a member of the Institute; or
 - (b) uses the designation cost accountant; or
- (ii) being a member of the Institute, but not having a certificate of practice, represents that he is in practice or practices as a cost accountant, shall be punishable on first conviction with fine which may extend to one thousand rupees, and on any subsequent conviction with imprisonment which may extend to six months, or with fine which may extend to five thousand rupees, or with both.

4.7 Maintenance of branch offices

This is as per Section 37 of the Act *ibid*.

Procedure with regard to noting by the Institute of retirement of Partner(s) of a firm:

1. On receipt of a notice of retirement *from* partner(s) of a firm, a communication would be sent to the other partner(s) of the firm to confirm within a specified period about the retirement of the partner(s) who had sent the notice to the Institute.
2. In case the other partner(s) do not confirm the retirement within the specified date or do not send the confirmation before the said date, the retirement of the partner(s) having sent the notice of the retirement *from* the firm would be noted in the records of the Institute.
3. In case of intimation of existence of dispute between/among partners received *from* the firm/other partners a suitable note would be kept in the records of the Institute and retirement will not be noted.

4.8 Generally Accepted Cost Accounting Principles (GACAP)

The Ministry of Corporate Affairs notified, the Companies (Cost Accounting Records) Rules 2011 on 3rd June 2011, the Cost Accounting Records (Industry Specific) Rules 2011 on 7th December 2011 for Telecommunication, Petroleum, Electricity, Sugar, Fertilizer and Pharmaceutical industries and these Cost Accounting Records Rules, require vide Rule 4 that every company to which the rules apply, including all units and branches thereof, to keep cost records in respect of each of its products and activities on regular basis. The cost records are to be maintained in accordance with the generally accepted cost accounting principles and cost accounting standards issued by the Institute of Cost Accountants of India to the extent these are found to be relevant and applicable. The variations, if any, are to be clearly indicated and explained by the cost accountants in their cost statements being certified by them.

4.9 Cost Accounting Standards and Guidance Notes

The Cost Accounting Standards and Guidance Notes establish standards which have to be complied with to ensure that costing statements are prepared in accordance with generally accepted Cost accounting standards and that cost auditors carry out their audits in accordance with the generally accepted auditing practices.

4.9.1 Cost Accounting Standards

As mentioned under GACAP above that application of the Cost Accounting Standards and GACAP has been mandatory in view of the maintenance of cost records in accordance with the generally accepted cost accounting principles and cost accounting standards issued by the Institute of Cost Accountants of India to the extent these are found to be relevant and applicable. The variations, if any, are to be clearly indicated and explained by the cost accountants in their cost statements being certified by them.

The Institute has issued 14 (fourteen cost accounting standards as on date). **In case the cost accountant is of the opinion that the below mentioned standards have not been complied with for the preparation of the Cost Statements, it shall be his duty to make a suitable disclosure/qualification in his audit report/certificate.** The cost accounting standards are summarized below for ready reference:

CAS No and Title	Objective	Useful for
CAS 1: Classification of Cost	For preparation of cost Statements	Assessment of excise duty and other taxes, anti-dumping measures, transfer pricing, etc.



CAS 2: Capacity Determination	For determination of capacity	proper allocation, apportionment and absorption of cost
CAS 3: Overheads	For collection, allocation, apportionment and absorption of overheads	Determining cost of products, services or activities.
CAS 4: Captive Consumption	To determine the assessable value of excisable goods used for captive consumption	Determining cost of products, services or activities. This is already approved and notified by the Central Board of Excise & Customs (CBE & C) for department and assesses
CAS 5: Average (Equalized) Cost of Transportation	To determine averaged/ equalized transportation cost	Calculating the amount of deduction from assessable value of excisable goods, freight, subsidy, insurance claim valuation, etc.
CAS 6: Material Cost	To bring uniformity and consistency in the principles and methods of determining the material cost with reasonable accuracy in an economically feasible manner	Applicable to all cost statements which require measurement, assignment, classification and presentation of material costs. To be followed in all cost statements requiring assistance including attestation
CAS 7: Employee Cost	To bring uniformity and consistency in the principles and methods of determining the employee cost with reasonable accuracy	Applicable to cost statements which require classification, measurement, assignment, presentation and disclosure of employee cost including those requiring attestation
CAS 8: Cost of Utilities	to bring about uniformity and consistency in the principles and methods of determining the cost of utilities with reasonable accuracy	Applicable to cost statements which require classification, measurement, assignment, presentation and disclosure of cost of utilities including those requiring attestation
CAS 9: Packing Material Cost	To bring uniformity and consistency in the principles and methods of determining packing material cost with reasonable accuracy	Applicable to cost statements which require classification, measurement, assignment, presentation and disclosure of packing material cost including those require attestation
CAS 10: Direct Expenses	To bring uniformity and consistency in the principles and methods of determining direct expenses with reasonable accuracy	Applicable to cost statements which require classification, measurement, assignment, presentation and disclosure of direct expenses including those requiring attestation
CAS 11: Administrative Overheads	To bring uniformity and consistency in the principles and methods of determining administrative overheads with	Applicable to cost statements, which require classification, measurement, assignment, presentation and disclosure of



	reasonable accuracy	administrative overheads including those requiring attestation
CAS 12: Repairs and Maintenance Cost	To bring uniformity and consistency in the principles and methods of determining repairs and maintenance cost with reasonable accuracy	Applicable to cost statements, which require classification, measurement, assignment, presentation and disclosure of repairs and maintenance cost including those requiring attestation
CAS 13- Cost of Service Cost Centre	To bring uniformity and consistency in the principles and methods of determining the Cost of Service Cost Centre with reasonable accuracy.	Applicable to Cost statements, which require classification on, measurement and assignment of Cost of Service Cost Centre including those requiring attestation.
CAS 14: Pollution Control Cost	To bring uniformity and consistency in the principles and methods of determining the Pollution Control Costs with reasonable accuracy.	Applicable to Cost statements, which require classification on, measurement and assignment of pollution Control Costs including those requiring attestation.

The above CASs have proved to be of great use to the industry and regulators. As mentioned in the above table CAS-4 has already been approved and notified by the Central Board of Excise & Customs (CBEC) and has been very useful in settling long pending cases of valuation of captive consumption between the department and the assesseees. Since CAS-4 has to be read together with CAS-1 to 3, hence all these CAS also attain relevance in the notification issued by the CBEC recognising CAS-4.

Note: Members may refer Institute's publication on Cost Accounting Standards and Generally Accepted Cost Accounting principles. Also the text of these Cost Accounting Standards is hosted on Institute website at: <http://casbicwai.org/CASB/casb-resources.asp>

Examples of Qualifications/Disclosures in the Cost Audit Report

(a) "The cost accounting system existing in the company is adequate to determine correctly the cost of sales of the product subject to-

system for establishing and allocating the export expenses to various Units/ product lines

(b) "the cost accounting system existing in the company is not adequate to determine correctly the cost of production of the product. The allocation of Head Office (Corporate) Expenses is done on the basis of Gross Sales quantity which has no relevance as a basis of allocation of HO expenses to different Units."

(c) We have been unable to verify the sales value separately for Unit I located at _____ Unit II located _____ since the sales are effected through the regional Offices and the Branches of the company wherein bifurcation of unit-wise sales data is not maintained. Hence we are unable to state whether the bifurcation of sales values between Unit I and Unit II show a true and fair view of the Sales."

4.9.2 GUIDANCE NOTES

'Guidance Notes' are primarily designed to provide guidance to members on matters which may arise in the course of their professional work and on which they may desire assistance in resolving issues which may pose difficulty. Guidance Notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note.



“If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary”.

The Institute has issued many Guidance Notes. Some Names of the Important Guidance Note issued by the Institute of Cost Accountants are given below:

1. Guidance Note on Cost Audit
2. Guidance Note on Maintenance of Cost Accounting Records
3. Guidance Note on Maintenance of Cost Accounting Records for Construction Industry including Real Estate and Property Development Activity
4. Guidance Note on Performance Appraisal Report (Form-III)
5. Guidance Note on Issuance of Compliance Report by a Cost Accountant
6. Architecture, Training & Guidance Manual for filing of Cost Audit Report and Compliance Report in XBRL Format
7. Revised Guidance Note on Cost Accounting Standard on Cost of Production for Captive Consumption (CAS-4)
8. Guidance Note on Cost Accounting Standard 6 Material Cost (CAS-6)
9. Guidance Note on Cost Accounting Standard 7 on Employee Cost
10. Guidance Note on Cost Accounting Standard on Packing Material Cost (CAS-9)

4.10 Quality Review Board

The Cost and Works Accountants (CWA) Act, 1959 provides for the regulation of the profession of Cost and Management Accountant in India. The CWA Act was amended in the year 2006 and sections 29A to 29D were inserted making provision for the establishment of “**Quality Review Board (QRB)**”. Accordingly, the Government of India, Ministry of Corporate Affairs, vide their notification no. S.O. 1693(E) dated 3rd October 2007 constituted QRB of the Institute of Cost Accountants of India for promoting “Quality” considerations in rendering various professional (*both statutory and non-statutory*) services by the Members of the Institute. The Board has been reconstituted by the Ministry of Corporate Affairs vide notification dated February 6, 2012.

The QRB of the Institute of Cost Accountants of India has brought out “**Guidance Manual for Audit Quality**” which contains the guidelines for members to improve the quality services and adherence to the various statutory and other regulatory requirements. The above Manual covers the policies, procedures and systems that are set in an audit firm to assure that it renders professional services consistently of high quality. Undoubtedly, this would facilitate the members of the Institute to discharge their functions efficiently and effectively.

Further, the Guidance Manual for Audit Quality deals with a firm’s responsibilities for its system of quality control for audits and reviews of cost/ financial statements, and other assurance and related services engagements. The nature and extent of quality control policies and procedures to comply with this Manual would depend on a number of factors such as the size and nature of its practice, operating characteristics, geographic dispersion, organization, appropriate cost or benefit considerations and whether it is part of a network. Accordingly, the policies and procedures adopted by individual audit firms vary, so also the extent of their documentation.

4.11 Cost Audit and Assurance Standards Board (CAASB)

The Council of the Institute of Cost Accountants of India has constituted a Cost Audit and Assurance Standards Board (CAASB) entrusting the responsibility to formulate standards and develop guidance notes in the areas of auditing, assurance, related services and quality control.



Objectives and Functions of CAASB

The following are the objectives and functions of the Cost Audit and Assurance Standards Board:

1. To identify areas in which Standards on Quality Control, Assignment Standards, Standards on Auditing and Standards on Related Services need to be developed.
2. To develop Standards on Quality Control, Assignment Standards, Standards on Auditing and Standards on Related Services so that they may be issued under the authority of the Council of the Institute.
3. To develop Guidance Notes on issues arising out of any Standard or on auditing issues pertaining to any specific industry or on generic issues so that they may be issued under the authority of the Council of the Institute.
4. To formulate and issue Technical Guides, Practice Manuals and other Papers under its own authority for guidance of Cost Accountants in the cases felt appropriate by the Board.
5. To review the existing Standards, Guidance Notes, Technical Guides, Practice Manuals and other Papers to assess their relevance in the changed conditions and to undertake their revision, if necessary.
6. To provide Interpretations or formulate General Clarifications, where necessary, on issues arising from the Standards.

CAASB has issued two CAAS so far, which are as follows:

- (i) Cost Audit and Assurance Standard (CAAS 101) on “**Planning an Audit of Cost Statements**”.
- (ii) Cost Audit and Assurance Standard (CAAS 102) on “**Cost Audit Documentation**”.

Note: *The Cost Audit and Assurance Standards Board in its 11th meeting held on 5th October 2012 decided that pending development of the Standards on “Quality Control” the ‘Guidance Manual for Audit Quality’ issued by the Institute shall prevail in respect of all services rendered by the Cost Accountants.*



Chapter-5

Career and Prospect as Cost Accountant

In the present scenario, Cost Accountants are in great demand in private enterprises, government sector, banking & finance sector, developmental agencies, education, training & research sector as well as in service and public utility sector. Because of their quality training, they can hold top management position in public and private sectors' enterprises like Chairman cum Managing Directors, Managing Director, Finance Director, Financial Controller, Chief Financial Officer (CFO), Cost Controller, Marketing Manager and Chief Internal Auditor etc. Those managing their own businesses have found themselves a Manager and an Accountant to control and flourish their businesses. There is no doubt that a Cost Accountant can attain the highest ladder of professional career. There is a sustained demand for qualified, trained and experienced cost accountants in India and abroad in different industries and Government Departments. Many members of the Institute are also engaged in providing professional and cost consultancy services and in teaching cost and management accountancy in Universities and Colleges.

Cost accountancy edges over financial accounting. Cost accounting promotes study and adoption of scientific methods to secure maximum efficiency in industrial, commercial and other spheres, as compared to financial accounting. Financial accounting mainly draws conclusions on the basis of post facto data long after the operations are put through and expenditure were incurred enabling score keeping or at best statistical analysis. Therefore, role of cost accountants go beyond a financial accountant and they help the management in regulating production operations and processes of production.

Cost Accountancy qualification has also been recognised by the Academic Councils of many Universities in India for the purpose of admission of the Ph.D. courses in Commerce. It was resolved by Association of Indian Universities to accept Bachelor Degree-holders who have CMA Qualification for registration as M.Phil. and Ph.D. candidates in commerce and allied disciplines vide their letter nos. EV/II/(2)/91/80878 dated 16.8.1991 and EV/II/(2)/2000/179741 dated 29.11.2000.

Cost Accountants are also holding key position in Central and State Governments. In the matter of employment, promotion and prospects, Cost Accountants are recognised by the government, public and private sectors for placement at various levels in the fields of Accounting and Management functions. The specialisation in costing is an added catalyst for a successful manager and a policy maker.

Developing countries in the overseas have also evinced keen interest in offering employment opportunities for the members of the Institute. Realising the importance of the profession of the Cost and Management Accountancy in the economic development of the nation, the Central Government has constituted an all-India cadre known as Indian Cost Accounts Service (ICoAS) at par with other Class-I services such as IAS, IFS etc. to advise the government in cost pricing and in framing the appropriate fiscal and tax policies.

Further, a Cost Accountant may build up his own practice by obtaining a licence from the Institute which would enable him to practice as a Cost Accountant, either individually or in partnership with one or more members of the Institute in practice. His clientele include private and public companies, large, medium and small scale undertakings, partnership and proprietary concerns, industrial, commercial and service undertakings etc. There are several areas of practice available for Cost Accountants, a list of which is given hereinafter.

5.1 After passing final examination of the Institute, there are number of options available to a Cost Accountant, some of these are summarized below:

1. To set up independent practice;
2. Entrepreneurship;
3. Employment in Government Departments;
4. Employment in Public Sector Undertakings;



5. Employment in Public/ Pvt. Limited companies;
6. Employment in Banking and Financial Institutions;
7. Employment in Insurance Sector;
8. Employment in Multi National Companies;
9. Employment in Cooperative Sector;
10. Employment with Stock Brokers, Merchant Bankers, Portfolio Managers in Stock Market;
11. Employment in NGOs;
12. Employment in Mutual Funds managing companies;
13. Employment in Infrastructure and Venture Capital companies;
14. Employment in Large Consulting Firms;
15. Teaching Job in Universities/Research Bodies;
16. Employment in Hospitals & Health Care Services;
17. Employment in Media and Broadcasting;
18. Employment in Tourism and Aviation;
19. Management Consultancy Services;
20. Job Opportunities in Abroad.

The list provided above is not exhaustive and indicative only. The role of members of the profession which was originally envisaged to verify and determine cost of manufactured goods during Second World War has been vastly enlarged to cover assistance in framing the strategic decisions for planning, execution and monitoring of improvement in operational efficiency in all fields like financial resources, human resources, material management, production management, research and development, logistics and marketing management.

5.1.1 Strategic Decision Maker

CMAs play a very vital role in strategic resource planning and allocation particularly in sectors highlighted by future growth and opportunity. CMAs roles are not limited to preparation of financial statement and merely ascertainment of costs but in this era of global village a CMA's task has become multifaceted. He is now a key decision maker of the organization whose task includes wide range areas including cost control, cost management as well as strategizing cost to financial planning in the decision making process of the organization.

5.1.2 Independent practice

There is vast scope for practice by a Cost Accountant for which he has to obtain Practice Certificate from the Institute as per the Rules and Regulations indicated in the previous chapter. A Cost Accountant may set up the practice at his own as Proprietor or set up a new partnership firm with like-minded Cost Accountants in practice or may be admitted as new partner in the existing firm of Cost Accountants in practice. His clientele include private and public companies, large, medium and small scale undertakings, partnership and proprietary concerns, industrial, commercial and service undertakings etc. There are several areas of practice available for Cost Accountants, a list of which is given in the next chapter.

5.1.3 Entrepreneurship

Entrepreneurship is the act of being an entrepreneur, which is a French word meaning "one who undertakes



innovations, finance and business acumen in an effort to transform innovations into economic goods". This may result in new organizations or may be part of revitalizing mature organizations in response to a perceived opportunity. The most obvious form of entrepreneurship is that of starting new businesses. Therefore, a Cost Accountant who has possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome can start his/her business and the qualification of cost & management accounting will help him in framing the strategic decisions for planning, execution and monitoring of improvement in operational efficiency in all fields like financial resources, human resources, material management, production management, research and development, logistics, marketing management etc.

5.1.4 Employment

Brief description on the areas for employment is as follows:

5.1.4.1 Employment in Government Departments

Cost Accountants are also holding key position in Central and State Governments. Realising the importance of the profession of the Cost and Management Accountancy in the economic development of the nation, the Central Government has constituted an All-India cadre known as Indian Cost Accounts Service (ICAS) at par with other Class-I services such as IAS, IFS etc. to advise the government in cost pricing and in framing the appropriate fiscal and tax policies. The recruitment under Indian Cost Accounts Service (ICAS) is through Union Public Service Commission (UPSC).

5.1.4.2 Employment in Public Sector Undertakings

Several Central and State Public Sector Undertakings are engaging CMAs in the area of costing and pricing, budgeting, accounting, finance, direct and indirect taxation, internal auditing, valuation, compliance etc. They also help the management of these public sector undertakings in planning and taking policy decisions etc to increase the shareholders' value. CMAs in these public sector undertakings are working as Chairman cum Managing Directors, Managing Directors, Finance Directors, Financial Controllers, General Managers, Chief Financial Officers (CFOs), Cost Controllers, Marketing Managers, Chief Internal Auditors etc. To name a few PSUs where CMAs are working are: ONGC, BHEL, BEL, Indian Oil, Oil India Corporation, Bharat Petroleum, Hindustan Petroleum, HUDCO, GAIL, NTPC, NHPC, SAIL, HAL, Rural Electrification, MMTC, MTNL, BSNL, Power Grid Corporation, PFC, Coal India, RITES, IRCON etc.

5.1.4.3 Employment in Public/ Pvt. Limited companies

Likewise similar to Public Sector Undertakings, several in Public and Private Limited Sector companies are engaging CMAs in the areas given under Public Sector Undertakings. To name a few Public and Private companies who engaged CMAs are: Reliance Group of companies, Hindustan Motors Ltd., Gujarat Ambuja Cement Ltd., Tata Group of Companies, Tata Consultancy Services, Vedanta Aluminium Ltd., ICICI Bank, HUDCO, Dunlop India Ltd., ITC Ltd., Bata India Ltd., Simplex Infrastructures Ltd., Gati Ltd., Genpact Ltd., Custrol India Ltd., Gulf Oil Corporation Ltd. etc.

5.1.4.4 Employment in Banking and Financial Institutions

The Banks and Financial Institutions are also engaging CMAs for the work relating to Accounting, taxation, product costing, management and other auxiliary services. More particularly, CMAs may

- (a) establish, coordinate, as well as maintain an integrated plan for control of operations;
- (b) advise financing, investment and dividend decisions so as to maximize the wealth of the shareholders;
- (c) conduct internal audit and strengthen the Internal Control System of the Banking Sector;
- (d) play a vital role in Credit Management;
- (e) evaluate the project appraisal reports before disbursement of loans;
- (f) play a constructive role in framing and devising various tools for Risk Minimization and Return Maximization etc.



5.1.4.5 Employment in Insurance Sector

Similarly Insurance Sector has many openings for our members for the work relating to Accounting, taxation, management and other services.

5.1.4.6 Employment in Multi-National Companies

CMAs are also being engaged by multi-national companies for the work relating to costing and pricing, cost audit, budgeting, accounting, finance, direct and indirect taxation, internal auditing, valuation, compliance etc. They also help the management of these multi-national companies in international taxation, planning and taking policy decisions etc to increase the shareholders' value. Our members are working there as Managing Directors, Finance Directors, Financial Controllers, General Managers, Chief Accountants, Cost Controllers, Marketing Managers, Chief Internal Auditors etc

5.1.4.7 Employment in Cooperative Sector

Cost Accountants are also engaged by Cooperative Banks, Regional Rural Banks, and multi-state cooperative societies at middle and top level executives.

5.1.4.8 Employment with Stock Brokers, Merchant Bankers, Portfolio Managers in Stock Market

Stock Brokers, Merchant Bankers and Portfolio Managers in Stock market are also engaging CMAs for work relating their fields.

5.1.4.9 Employment in NGOs

A non-governmental organization (**NGO**) is a legally constituted, non-governmental organization created by natural or legal persons with no participation or representation of any government. In India, Government or various international funding agencies in order to implement projects of social importance and area of peculiar needs of the society, such as health, HIV/AIDS, Maternal Mortality, Polio, food, shelter, civil liberty, poverty alleviation etc, give certain work to NGOs. Several NGOs are working in India. For the purpose of accounting, planning, budgeting, auditing and monitoring purpose for the funds allotted to them, they requires services of professionals like cost accountants.

5.1.4.10 Employment in Mutual Funds managing companies

A mutual fund is a group of investors operating through a fund manager to purchase a diverse portfolio of stocks or bonds. Mutual funds are highly cost efficient and very easy to invest in. By pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. Like stock brokers, merchant bankers and portfolio managers, mutual funds also engage professionals like cost accountants for the work relating to working out cost efficient options, accounting, management and other ancillary services.

5.1.4.11 Employment in Infrastructure and Venture Capital companies

Infrastructure is the basic physical and organizational structures needed for the operation of a society or enterprise, or the services and facilities necessary for an economy to function. This refers to the technical structures that support a society, such as roads, water supply, sewers, power grids, telecommunications, and so forth.

Young companies wishing to raise venture capital require a combination of extremely rare yet sought after qualities, such as innovative technology, potential for rapid growth, a well-developed business model, and an impressive management team. Venture capital is most attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering. In exchange for the high risk that venture capitalists assume by investing in smaller and less mature companies, venture capitalists usually get significant control over company decisions, and in ownership of venture capital companies.

Therefore, Infrastructure and Venture capital are also associated with job creation, the knowledge economy and used as a proxy measure of innovation within an economic sector or geography.

5.1.4.12 Employment in Large Consulting Firms

Large Consulting Firms are generally management consulting firms have numerous specializations, such as information technology consulting, human resource consulting, virtual management consulting and others. These large consulting firms have base not only in India but have world-wide presence. Some of these are



McKinsey & Company, Deloitte Consulting LLP, PricewaterhouseCoopers, Ernst & Young LLP, KPMG etc. These large consulting firms engage cost accountants for the above consulting work.

5.1.4.13 Teaching Job in Universities and Research Bodies

Many members of the Institute are also engaged in cost consultancy services and in teaching cost and management accountancy in Universities and Colleges as lecturers, readers and professors.

University Grants Commission recognized the Cost Accountancy qualification for the appointment as Assistant Professor, Associate Professor and Professor in universities and colleges in the area of Management/ Business Administration. This has been notified vide “UGC Regulations on Minimum Qualifications for Appointment of Teachers and Other Academic Staff in Universities and Colleges and Measures for the Maintenance of Standards in Higher Education, 2010” vide its Circular No. F.3-1/2009 dated 30th June 2010. The qualifications specified for appointment of Assistant Professor, Associate Professor and Professor in the above area and Principal/Director/Head of the Institution include First Class Graduate and professionally qualified Cost Accountant among other qualifications and subject to other requirements including qualifying NET/SLET/SET as the minimum eligibility condition for recruitment and appointment of Assistant Professors. The notification is hosted on the Institute website as well as on the UGC website.

5.1.4.14 Employment in Hospitals & Health Care Services

Hospital and health care services sector offers job opportunities to cost accountants. CMAs are being engaged for accounting & finance, budgeting, costing of various services being offered by the hospitals, planning and management.

5.1.4.15 Employment in Media and Broadcasting

Similarly media and broadcasting sector also offers job opportunities to our members. They are being engaged for accounting & finance, budgeting, costing work, planning and management work etc. in this sector.

5.1.4.16 Employment in Tourism and Aviation

Similarly Tourism and Aviation sector offers job opportunities to our members. They are being engaged for accounting & finance, budgeting, costing work, planning and management work etc. in this sector.

5.1.4.17 Management Consultancy Services

The cost accountants are offering services like Cost Management, Techno-economic Study, Systems, Computerization, ERP, Insurance companies and other Financial Institutions, Financial Management, Project Consultancy, Materials Management, Management Accountancy, Tax Planning, Diagnostic Accounting & Revival of Sick Units, Merchant Banking, Investment Counseling & Portfolio Management, Internal Management and Operational Audits, Organization Structure Review, Training and Executive Selection, Incentive Plans, Productivity, Conservation of Energy and Energy Audit and Environmental Audit etc.

5.1.5 Jobs in Abroad

There are good openings for Cost Accountants in abroad. Several companies abroad seek the services of Cost Accountants for the same purpose as are being utilized in India.



Chapter-6
Independent practice by a Cost and Management Accountant

As mentioned in the previous chapter that there is vast scope for practice by a Cost Accountant for which he has to obtain Practice Certificate from the Institute as per the Rules and Regulations indicated in the previous chapter. A Cost Accountant may set up the practice at his own as Proprietor or set up a new partnership firm with like-minded Cost Accountants in practice or may be admitted as new partner in the existing firm of Cost Accountants in practice. His clientele include private and public companies, large, medium and small scale undertakings, partnership and proprietary concerns, industrial, commercial and service undertakings etc. There are several areas of practice available for Cost Accountants, a list of which is given hereinafter.

Before a list of fields for practice is given, it is pertinent for a cost accountant to know the guidelines issued by the Institute for charging professional fee for various assignments. However, it may be noted that these are suggested guidelines for minimum fee for each of the indicative activities:

6.1 Suggested minimum professional fees as approved by the Council at its 268th meeting held on May 10, 2011

Fees for Cost Audit related assignments:

Turnover in Rs. Crores	Fees for Cost Audit	Fees for Cost Records/Compliance
Below 5	20000	
5 – 10	40000	
10 – 20	50000	
20 – 50	75000	25000
50 – 75	100000	35000
75 – 100	125000	50000
100 – 150	175000	75000
150 – 250	250000	100000
250 – 500	400000	150000
500 – 750	500000	200000
750 – 1000	600000	250000
1000 – 2500	750000	350000
2500 – 5000	850000	450000
5000 – 20000	1000000	500000
20000 and above	Negotiable	Negotiable

6.1.1 Costing Assignments :

1.1 Monthly Retainership	Rs. 10,000 – 15,000 for the first visit and Rs. 2,500 – 5,000 for each subsequent visit of around two hours during the month.
1.2 Casual Visit	Rs. 5,000 – 10,000 per day (Partner having less than 10 years of practice) Rs. 10,000 – 25,000 per day (Partner having more than 10 years of practice)



1.3 Chamber Consultation	Rs. 2,500 per hour at the minimum.
1.4 Certificate Work	(a) Minimum Rs.2500 per certificate – for Small Scale Units. (b) Minimum Rs.5000 for others. (c) For certification involving in-depth scrutiny and study Rs.2000 per hour of work involved.

6.1.2 Designing Systems of Cost and Management Accounting (Minimum Fees)

(a) Upto Turnover of Rs. 2 Crores	50,000
(b) Rs.2 Crores to Rs.10 Crores	1,00,000
(c) Rs. 10 Crores to Rs. 100 Crores	2,50,000
(d) Above Rs. 100 Crores	5,00,000

6.1.3 Finance Applications and Feasibility Reports :

Scrutiny of technical and market feasibility reports, preparing financial feasibility reports and drawing projection of profitability, financial position, capital plan and cash flow – Based on Project Cost.

6.1.4 Charges for providing Services of Juniors

Cost Accountant (Qualified Assistant)	Rs. 1,000 per hour
Cost Assistant (Intermediate)	Rs. 750 per hour
Cost Assistant – Trainee	Rs. 500 per hour

Note: For all assignments, Service Tax and other applicable Taxes, Traveling and out-of-pocket expenses will be charged extra.

6.2 Fields for Practice

The **Fields for Practising Cost Accountants** are divided into two parts:

- Audit areas and
- Certification and Consultancy areas. These areas are further bifurcated under Central and State Governments.

Summarized position in respect of **Fields for Practising Cost Accountants** is as follows:

A. Audit areas:

- Cost Audit – Corporate Sector
- Compliance Audit of Reserve Bank of India (India's Central Bank) for the purpose of Lending under Consortium Arrangement / Multiple Banking Arrangements
- Cost Audit – Co-operative sector
- Internal Audit of Companies including SEBI and NSDL
- Stock Audit for Banks



- Central Excise Audit
- Concurrent Audit

B. Certification and Consultancy areas:

(i) Central Government:

(a) Ministry of Corporate Affairs

- (i) Certification and e-filing of Compliance Report under Cost Accounting Records Rules 2011,
- (ii) Certified Filing Centres under MCA 21 Scheme,
- (iii) Certification of e-filing of various documents prescribed by the Ministry of Corporate Affairs for filing with ROC including certification of e-Forms.

(b) Ministry of Finance

Central Excise, Customs, Income Tax and Service Tax, Certified Facilitation Centres under ACES-BBEC Scheme.

(c) Ministry of Commerce

SEZ, WTO-Anti dumping, Government Procurement, Subsidies, Foreign trade policies and procedures etc.

(ii) Regulatory Authorities

RBI, SEBI, TRAI, CERC, IRDA, CCI, NPPA, FICC, EXIM, BIFR etc.

(iii) Non Statutory Fields and General Fields

Empanelment by companies in Central & State Governments and their various Departments, Public, Private, Public Sector Banks

C. Taxation

- Income Tax
- Wealth Tax
- Estate Duty
- Excise
- Customs
- VAT

D. Corporate Law

- Company Law
- M R T P
- B I F R

E. Other work relating to following:

- Cost Management
- Techno-economic Study Systems
- Computerization



- ERP
- Services to Bank, Insurance companies and
- other Financial Institutions
Financial Management Project
Consultancy
- Materials Management
- Management Accountancy
- Organization and Methods Tax Planning
- Diagnostic Accounting & Revival of Sick Units
- Merchant Banking
- Investment Counseling & Portfolio Management
- Internal Management and Operational Audits
- Organization Structure Review
- Training
- Executive Selection
- Incentive Plans
- Productivity
- Conservation of Energy and Energy Audit.
- Environmental Audit
- Business Plans
- Merger and Acquisition (M & A)
- Insolvency
- Business Valuation
- Risk Management
- International Financial Reporting Standards (IFRSs)



Chapter-7

Cost Accounting Records and Cost Audit

7.1 Maintenance of Cost Accounting Record

In order to assess the productivity of some important industries which had direct bearing on the supply management system for the growth of Indian economy and as a service to the society, provision relating to maintenance of Cost Accounting Records under section 209 (1) (d) of the Companies Act, 1956 was introduced by the Central Government. The information on input cost of products, machine utilization, unit selling prices and profitability of individual products etc. was required to be maintained by the companies to which cost accounting records rules were applicable.

Section 209(1) (d) of the Companies Act, 1956, incorporated in 1965, is the backbone of statutory cost accounting in the Indian corporate sector. This framework put to practice, through promulgation of Cost Accounting Records Rules by the Government, has inculcated a sense of cost consciousness in large number of industries/companies. The mechanism of maintenance of cost records, to a very large extent, has helped industry to face the fierce competitive forces arising out of post-1991 liberalization and globalization. It also served well the legal and non-legal requirements of various regulatory authorities, government agencies, tariff/price fixation bodies, research organisations, etc.

Presently, the prescription of cost accounting records rules has been extended to all companies engaged in production, processing, manufacturing and mining activities. Further, the Central Government has also prescribed common cost accounting records rules vide GSR 429(E) dated 3rd June 2011 in place of product-wise records rules prescribed earlier. The Central Government has also replaced the eight Industry Specific Cost Accounting Records Rules by new industry specific Cost Accounting Records Rules, 2011 notified on 7th December 2011 for six regulated industries namely, Telecommunication, Petroleum, Electricity, Sugar (Erstwhile Industrial Alcohol and Sugar cost Accounting Records Rules were merged in 'Sugar Industry' cost accounting records rules 2011), Fertilizer, and Pharmaceutical (Erstwhile Bulk Drugs and Formulations cost accounting records rules were merged in 'Pharmaceutical Industry' cost accounting records rules 2011).

Both common and Industry Specific Cost Accounting Records rules are applicable to all companies where:

- a) the aggregate value of net worth as on the last date of the immediately preceding financial year exceeds five crore of rupees; or
- b) the aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds twenty crore of rupees; or
- c) the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.

The above conditions are mutually exclusive and a company meeting with any of the condition shall be covered under the respective cost accounting records rules.

Note: The Common Cost Accounting Records Rules are not applicable to the activities or products covered in the Industry Specific Cost Accounting Records Rules 2011.

The companies to which above cost accounting records rules apply, including their units and branches are required to keep cost records on regular basis in such manner so as to make it possible to calculate per unit cost of production or cost of operations, cost of sales and margin for each of its products and activities for every financial year on monthly/quarterly/half-yearly/annual basis.

The cost records shall be maintained in accordance with the generally accepted cost accounting principles and cost accounting standards issued by the Institute of Cost Accountants of India; to the extent these are found to be relevant and applicable. The cost records shall be maintained in such manner so 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 utilization of resources. These records shall also provide necessary data which is required to be furnished under these rules.



The companies may engage practicing cost accountants for maintenance of Cost Accounting Records for their companies in compliance to Section 209(1)(d) read with respective Cost Accounting Records Rules.

For more details on maintenance of cost accounting record in a company, the users may refer to “**Guidance Note on Maintenance of Cost Accounting Records**” and “**Guidance Note on Maintenance of Cost Accounting Records for Construction Industry including Real Estate and Property Development Activity**”. Issued by the Institute of Cost Accountants of India.

7.1.1 Provisions of Section 209 of the Companies Act, 1956

Section 209: BOOKS OF ACCOUNT TO BE KEPT BY COMPANY:

- (1) Every company shall keep at its registered office proper books of account with respect to –
- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;
 - (b) all sales and purchases of goods by the company;
 - (c) the assets and liabilities of the company;
 - (d) in the case of a company pertaining to any class of companies engaged in production, processing, manufacturing or mining activities, such particulars relating to utilization of material or labor or to other items of cost as may be prescribed, if such class of companies is required by the Central Government to include such particular in the books of account;

Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of directors may decide and when the Board of directors so decides, the company shall, within seven days of decision, file with the Registrar a notice in writing giving the full address of that other place.

(2) Where a company has a branch office, whether in or outside India, the company shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarised returns, made up to dates at intervals of not more than three months, are sent by the branch office to the company at its registered office or the other place referred to in sub-section (1).

(3) For the purposes of sub-sections (1) and (2), proper books of account shall not be deemed to be kept with respect to the matters specified therein, -

- (a) if there are not kept such books as are necessary to give a true and fair view of the state of the affairs of the company or branch office, as the case may be, and to explain its transactions; and
- (b) if such books are not kept on accrual basis and according to the double entry system of accounting.

(4) The books of account and other books and papers shall be open to inspection by any director during business hours.

(4A) The books of accounts of every company relating to a period of not less than eight years immediately preceding the current year together with the vouchers relevant to any entry in such books of account shall be preserved in good order:

Provided that in the case of a company incorporated less than eight years before the current year, the books of account for the entire period preceding the current year together with vouchers relevant to entry in such books of account shall be so preserved.

(5) If any of the persons referred to sub-section (6) fails to take all reasonable steps to secure compliance by the company with the requirements of this section, or has by his own willful act been the cause of any default by the company there under, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both:



Provided that in any proceedings against a person in respect of an offence under this section consisting of a failure to take reasonable steps to secure compliance by the company with the requirements of this section, it shall be a defence to prove that a competent and reliable person was charged with the duty of seeing that those requirements were complied with and was in a position to discharge that duty:

Provided further that no person shall be sentenced to imprisonment for any such offence unless it was committed willfully.

(6) The persons referred to in sub-section (5) are the following, namely:-

- (a) where the company has a managing director or manager, such managing director or manager and all officers and other employees and agents as defined in sub-section (6) of section 240 but excluding bankers, auditors and legal adviser;
- (b) where the company has neither a managing director nor manager, every director of the company;
- (c) every officer and other employee and agent (defined as aforesaid) of the company.

(7) If any person, not being a person referred to in sub-section (6), having been charged by the managing director, manager or Board of directors, as the case may be, with the duty of seeing that the requirements of this section are complied with, makes default in doing so, he shall, in respect of each offence, be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

As a result of Section 209(1)(d) of the Companies Act, 1956, the Cost Audit Mechanism was introduced as a unique feature in India, which can be considered as the first in the world. As a developing country, the Government of the time, has recognized the need for evaluation and audit of the cost systems within the corporate organizations and provide an authentic and verified cost data which can be used for various purposes, including for administered prices. In order to operationalise the provisions of section 209(1) (d) of the Companies Act, 1956 and the 44 industries as on date have been covered through the mechanism of Cost Accounting Records Rules.

7.1.2 Lok Sabha has passed Companies Bill 2012 on 18th December 2012. The bill is yet to be passed by the Rajya Sabha. The Corresponding Clause to Section 209 is given below for reference:

“128. (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting:

Provided that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place:

Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.

(2) Where a company has a branch office in India or outside India, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarized returns periodically are sent by the branch office to the company at its registered office or the other place referred to in sub-section (1).

(3) The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions as may be prescribed:



Provided that the inspection in respect of any subsidiary of the company shall be done only by the person authorised in this behalf by a resolution of the Board of Directors.

(4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.

(5) The books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order:

Provided that where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit.

(6) If the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, Chief Financial officer or such other person of the company shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees or with both.

7.2 Preparation, Certification and e-filing of Compliance Report

As per Rule 5 of the Companies (Cost Accounting Records) Rules 2011 and respective Industry Specific Cost Accounting Records Rules 2011, the companies covered under these rules are required to submit a compliance report, in respect of each of its financial year, duly certified by a cost accountant, along with the Annexure to the Central Government, in the prescribed form. The cost accountant for the purpose of these rules means member of the Institute of Cost Accountants of India and whose dues to the Institute are not in arrears.

These rules prescribe Form A and Form B along with Annexure for submission with the Central Government. The Ministry of Corporate Affairs vide *General Circular No. 8 dated 10th May 2012* has mandated filing of Compliance Reports (Form-A) for the year 2011-12 onwards by using the XBRL taxonomy. The Ministry of Corporate Affairs vides G.S.R. 862(E) to 868(E) dated 30th November 2012 amended common Cost Accounting Records Rules 2011 and six Industry Specific Cost Accounting Records Rules 2011 to enable filing of Compliance Report in XBRL Format. The amendments read with respective Cost Accounting Records Rules provide for revised Form A-XBRL and Form-B and define the same as follows:

“Form A-XBRL” means the form prescribed in these rules for filing compliance report and other documents with the Central Government in the electronic mode and in the manner prescribed under rule 6 of the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011’;

“Form-B” means the form of the compliance report and includes Annexure to the compliance report and further includes the data or information required to be filed with the Central Government in the manner prescribed under rule 6 of the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011’.

Rule 6 of the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011 is reproduced below:

“6. Filing of compliance report with Central Government.- Every company has to file its compliance report and other documents as required under clause (d) of sub-section (1) of section 209 of the Act, and rules made thereunder with the Central Government using the Extensible Business Reporting Language (XBRL) Taxonomy given in Annexure III for the financial year commencing on or after the 1st day of April, 2011 with the Form A-XBRL specified under the Companies (Cost Accounting Records) Rules, 2011, Cost Accounting Records (Telecommunication Industry) Rules, 2011, Cost Accounting Records (Petroleum Industry) Rules, 2011, Cost Accounting Records (Electricity Industry) Rules, 2011, Cost Accounting Records (Sugar Industry) Rules, 2011,



Cost Accounting Records (Fertilizer Industry) Rules, 2011, and Cost Accounting Records (Pharmaceutical Industry) Rules, 2011.”

The companies may appoint practicing cost accountants for the following services:

- (i) Preparation of Compliance Report and Annexure thereto in Form A-XBRL and Form-B along with Annexure;
- (ii) Preparation and creation of Instance Document of Compliance Report following Costing Taxonomy and Business Rules as published by the Ministry of Corporate Affairs;
- (iii) Certification of Compliance Report in Form-B along with Annexure; and
- (iv) E-filing of Compliance Report in Form A-XBRL through MCA21 portal.

Note:

1. It may be noted that the Ministry of Corporate Affairs issued Master Circular No. 2/2011 dated 11th November 2011 and many General Circulars which are combined clarification on “**Appointment of Cost Auditor, Cost Accounting Records Rules 2011 and Companies (Cost Audit Report) Rules, 2011**”. These circulars are given under “**Revised Mechanism for Cost Audit**” hereinafter. The readers may refer these circulars accordingly.
2. For preparation and filling up of above Form A-XBRL and Form-B in XBRL Format, the Institute has issued “**Architecture, Training and Guidance Manual for filing of Cost Audit Report and Compliance Report in XBRL Format**” This can be downloaded from the following link:
http://icwai.org/icwainew/docs/updates/Architectural_Training_Guidance_Manual.pdf.

7.3 Cost Audit under Section 233 (B) of Companies Act, 1956

In mid 50s the Vivian Bose Commission was appointed by the Central Government to investigate the alleged corporate fraud in the affairs of Dalmia-Jain companies and the Commission observed that there was inadequacies in the then existing system of financial accounting, audit and corporate disclosures. Subsequently, the Daphtary-Shastri Committee was appointed by the Central Government to examine the recommendations of Vivian Bose Commission. These commissions recommended a unique monitoring mechanism based on performance and efficiency measurement i.e., an effective system of cost accounting and cost audit, to supplement the financial accounting and auditing practices.

Cost Audit in real sense started in 1965, when the Companies Act, 1956 was amended to incorporate the provisions relating to the maintenance of Cost Accounting Records and Cost Audit. These amendments were made based on Vivan Bose Commission, Dutta Commission and Daphtary-Shastri Committee recommendations. By Amendment Act 1965, the following sections were inserted in the Companies Act, 1956:

7.3.1 Section 233(B) of Companies Act 1956:

(1) Where in the opinion of the Central Government it is necessary so to do in relation to any company required under clause (d) of sub-section (1) of section 209 to include in its books of account the particulars referred to therein, the Central Government may, by order, direct that an audit of cost accounts of the company shall be conducted in such manner as may be specified in the order by an auditor who shall be a cost accountant within the meaning of the Cost and Works Accounts Act, 1959 (23 of 1950):

Provided that if Central Government is of opinion that sufficient number of cost accountants within the meaning of the Cost and Works Accountants Act, 1959 (23 of 1959), are not available for conducting the audit of the cost accounts of companies generally, that Government may, by notification in the Official Gazette, direct that, for such period as may be specified in the said notification, such chartered accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949), as possesses the prescribed qualifications, may also conduct the audit of the cost accounts of companies, and thereupon a chartered accountant possessing the prescribed qualifications may be appointed to audit the cost accounts of the company.



(2) The auditor under this section shall be appointed by the Board of directors of the company in accordance with the provisions of sub-section (1B) of section 224 and with the previous approval of the Central Government:

Provided that before the appointment of any auditor is made by the Board, a written certificate shall be obtained by the Board from the auditor proposed to be so appointed to the effect that the appointment, if made, will be in accordance with the provisions of sub-section (1B) of section 224.

(3) An audit conducted by an auditor under this section shall be in addition to an audit conducted by an auditor appointed under section 224.

(4) An auditor shall have the same powers and duties in relation to an audit conducted by him under this section as an auditor of a company has under sub-section (1) of section 227 and such auditor shall make his report to the Central Government in such form and within such time as may be prescribed and shall also at the same time forward a copy of the report to the company.

(5) (a) A person referred to in sub-section (3) or sub-section (4) of section 226 shall not be appointed or re-appointed for conducting the audit of the cost accounts of a company.

(b) A person appointed, under section 224, as an auditor of a company, shall not be appointed or re-appointed for conducting the audit of the cost accounts of that company.

(c) If a person, appointed for conducting the audit of cost accounts of a company, becomes subject, after his appointment, to any of the disqualifications specified in clause (a) or clause (b) of this sub-section, he shall, on and from the date on which he becomes so subject, cease to conduct the audit of the cost accounts of the company.

(6) Upon receipt of an order under sub-section (1), it shall be the duty of the company to give all facilities and assistance to the person appointed for conducting the audit of the cost accounts of the company.

(7) The company shall, within thirty days from the date of receipt of a copy of the report referred to in sub-section (4), furnish the Central Government with full information and explanations on every reservation or qualification contained in such report.

(8) If, after considering the report referred to in sub-section (4) and the information and explanations furnished by the company under sub-section (7), the Central Government is of opinion that any further information or explanation is necessary, that Government may call for such further information and explanation and thereupon the company shall furnish the same within such time as may be specified by the Government.

(9) On receipt of the report referred to in sub-section (4) and the in formations and explanations furnished by the company under sub-section (7) and sub-section (8), the Central Government may take such action on the report, in accordance with the provisions of this Act or any other law for the time being in force, as it may consider necessary.

(10) The Central Government may direct the company whose cost accounts have been audited under this section to circulate to its members, along with the notice of the annual general meeting to be held for the first time after the submission of such report, the whole or such portion of the said report as it may specify in this behalf.

(11) If default is made in complying with the provisions of this section, the company shall be liable to be punished with fine which may extend to five thousand rupees, and every officer of the company who is in default, shall be liable to be punished with imprisonment for a term which may extend to three years, or with the fine which may extend to fifty thousand rupees, or with both.

Cost Accounting and Cost Audit are absolutely necessary for efficient resource utilisation as well as monitoring and improving the efficiency of organisations leading to overall productivity and profitability improvement in the best interest of consumers, investors, workers and industry, and of the general public.



Cost audit is based on the economic principle that resources should flow into the most remunerative channels. It ensures that every rupee invested in capital gives the optimum returns and the planning of investment between different functions and aspects is designed to give the optimum results.

Cost Audit measures the parameters indicating the effective **efficiency in the utilization of financial, physical, human resources etc.**

'Cost Audit' is **not a routine exercise** on verification or attestation of Cost Records and related documents. 'Cost Audit' brings out the weaknesses in the internal working of a Company and surfaces it out for the benefit of the Top Management and other Agencies for necessary action.

7.3.2 Lok Sabha has passed Companies Bill 2012 on 18th December 2012. The bill is yet to be passed by the Rajya Sabha. The Corresponding Clause 148 to Section 233B of the Companies Act 1956 is as follows:

Central Government to specify audit of items of cost in respect of certain companies [Clause 148]:

148. (1) *Notwithstanding anything contained in this Chapter, the Central Government may, by order, in respect of such class of companies engaged in the production of such goods or providing such services as may be prescribed, direct that particulars relating to the utilisation of material or labour or to other items of cost as may be prescribed shall also be included in the books of account kept by that class of companies:*

Provided that the Central Government shall, before issuing such order in respect of any class of companies regulated under a special Act, consult the regulatory body constituted or established under such special Act.

*(2) If the Central Government is of the opinion, that it is necessary to do so, it may, by order, direct that the **audit of cost records of class of companies, which are covered under sub-section (1)** and which have a net worth of such amount as may be prescribed or a turnover of such amount as may be prescribed, shall be conducted in the manner specified in the order.*

*(3) The audit under sub-section (2) **shall be conducted by a Cost Accountant in practice** who shall be appointed by the Board on such remuneration as may be determined by the members in such manner as may be prescribed:*

Provided that no person appointed under section 139 as an auditor of the company shall be appointed for conducting the audit of cost records:

Provided further that the auditor conducting the cost audit shall comply with the cost auditing standards.

Explanation.—For the purposes of this sub-section, the expression "cost auditing standards" mean such standards as are issued by the Institute of Cost and Works Accountants of India, constituted under the Cost and Works Accountants Act, 1959, with the approval of the Central Government.

(4) An audit conducted under this section shall be in addition to the audit conducted under section 143.

(5) The qualifications, disqualifications, rights, duties and obligations applicable to auditors under this Chapter shall, so far as may be applicable, apply to a cost auditor appointed under this section and it shall be the duty of the company to give all assistance and facilities to the cost auditor appointed under this section for auditing the cost records of the company:

Provided that the report on the audit of cost records shall be submitted by the cost accountant in practice to the Board of Directors of the company.

(6) A company shall within thirty days from the date of receipt of a copy of the cost audit report prepared in pursuance of a direction under sub-section (2) furnish the Central Government with such report along with full information and explanation on every reservation or qualification contained



therein.

(7) If, after considering the cost audit report referred to under this section and the information and explanation furnished by the company under sub-section (6), the Central Government is of the opinion that any further information or explanation is necessary, it may call for such further information and explanation and the company shall furnish the same within such time as may be specified by that Government.

(8) If any default is made in complying with the provisions of this section,—

- (a) the company and every officer of the company who is in default shall be punishable in the manner as provided in sub-section (1) of section 147;
- (b) the cost auditor of the company who is in default shall be punishable in the manner as provided in sub-sections (2) to (4) of section 147.”

7.4 New Mechanism of Cost Audit and Appointment of Cost Auditor

To review and advise the Government on the existing system of the Cost Accounting Record Rules and Cost Audit and their continued relevance in the contemporary competitive business environment, the Government of India had constituted an Expert Group on 21st January 2008. The Expert Group made its recommendations to Government of India. Some of the recommendations have been accepted by the Government by way of introduction of revised procedure for appointment of Cost Auditor, industry specific cost audit and maintenance of cost accounting records instead of Formats, on the basis of Generally Accepted Cost Accounting Principles (GACAP) and Cost Accounting Standards (CAS) issued by the Institute of Cost Accountants of India.

7.4.1 Modified Procedure for Appointment of Cost Auditor

The procedure for appointment of cost auditor has been modified by the Ministry of Corporate Affairs vide General Circular No. 15/2011 dated 11th April 2011. The revised procedure has been made effective from the financial year commencing on or after the 1st day of April, 2011.

Under the revised procedure, the first point of reference will be the Audit Committee to ensure that the cost auditor is free from any disqualification as specified under section 233B (5) read with section 224 and sub-section (3) or sub-section (4) of section 226 of the Companies Act, 1956. The Audit Committee should also ensure that the cost auditor is independent and is at arm's length relationship with the company. After ascertaining the eligibility, the Audit Committee will recommend to the Board of Directors for appointment of the Cost Auditor.

However, in those companies where constitution of an Audit Committee is not required by law, the functions of the "Audit Committee" as per the procedure will be discharged by the "Board of Directors".

The proposed cost auditor is required to give a separate certificate to the audit committee in respect to his/its independence and arm's length relationship with the company.

The Company appointing cost auditor is required to e-file application with the Central Government in the prescribed Form 23C within ninety (90) days from the date of commencement of each financial year, along with the prescribed fee as per the Companies (Fees on Application) Rules, 1999 as amended from time to time and other documents as per existing practice. After filing the online application by the Company, the same shall be deemed to be approved by the Central Government, unless contrary is heard within thirty (30) days from the date of filing such application. However, if within thirty (30) days from the date of filing such application, the Central Government directs the Company to re-submit the said application with such additional information or explanation, as may be specified in that direction, the period of thirty days for deemed approval of the Central Government will be counted from the date of re-submission of Form 23C by the Company.

After receipt of appointment letter of such appointment, the cost auditor is also required to intimate the Central Government within 30 days of such approval, in Form 23D.



7.4.1.1 Application Filing Fees

Section 637A of the Companies Act, 1956 empowers the Central Government to accord approval, etc., subject to conditions and to prescribe fees on applications. Sub-section 2 of Section 637A, inter alia, provides that every application, which may be made to the Central Government under any provisions of this Act, shall be accompanied by such fee as may be prescribed.

Vide Notification No. GSR 501 (E) dated 6.7.1999 read with Notification No. GSR 578 (E) dated 5.8.1999, the Ministry of Law, Justice & Company Affairs (Department of Company Affairs) has prescribed the application fee as under.

	A	B	C
Company having an authorized capital of	Less than Rs.25 lakh	Rs.25 lakh or more but less than Rs.5 Crores	Rs.5 Crores or more
Amount of fees to be paid	Rs.500	Rs.1000	Rs.2000

7.4.1.2 Delays in Filing Applications- Fee Payable

The Central Government vide G.S.R. 617(E) dated 7th August 2012 has amended G.S.R 501(E) dated 6th July 1999 and inserted the following:

“(4) In case of delays in filing applications with the Central Government under sub-section (2) of section 233B of the said Act, the fee as specified in the Table- IV below shall be applicable:

Table - IV

<i>Period of Delay</i>	<i>Fee Payable with the Application</i>
<i>Upto 30 days</i>	<i>Two times of normal fee</i>
<i>More than 30 days and upto 60 days</i>	<i>Four times of normal fee</i>
<i>More than 60 days and upto 90 days</i>	<i>Six times of normal fee</i>
<i>More than 90 days</i>	<i>Nine times of normal fee</i>
Note: Normal fee means the fee as given in the Table-I above.”	

7.4.2 Lok Sabha has passed Companies Bill 2012 on 18th December 2012. The bill is yet to be passed by the Rajya Sabha. The Cost Accountants may please note the new provision under Clause 144 to Companies Bill 2012:

Auditor not to render certain services [Clause 144]: This is a new clause and it seeks to provide that an auditor can do such other services as approved by the Board or audit committee. The clause further provides for the services which the auditor cannot perform, directly or indirectly to the company or its holding company, subsidiary company or associate company.

“144. An auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee, as the case may be, but which shall not include any



of the following services (whether such services are rendered directly or indirectly to the company or its holding company or subsidiary company, namely:—

- (c) accounting and book keeping services;
- (d) internal audit;
- (e) design and implementation of any financial information system;
- (f) actuarial services;
- (g) investment advisory services;
- (h) investment banking services;
- (i) rendering of outsourced financial services;
- (j) management services; and
- (k) any other kind of services as may be prescribed:

Provided that an auditor or audit firm who or which has been performing any non audit services on or before the commencement of this Act shall comply with the provisions of this section before the closure of the first financial year after the date of such commencement.

Explanation.—For the purposes of this sub-section, the term “directly or indirectly” shall include rendering of services by the auditor,—

- (i) *in case of auditor being an individual, either himself or through his relative or any other person connected or associated with such individual or through any other entity, whatsoever, in which such individual has significant influence or control, or whose name or trade mark or brand is used by such individual;*
- (ii) *in case of auditor being a firm, either itself or through any of its partners or through its parent, subsidiary or associate entity or through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trade mark or brand is used by the firm or any of its partners.”*



Clarification on Appointment of Cost Auditor under Section 233B

No. 54/80-CAB

Government of India

Ministry of Law, Justice and Company Affairs
Department of Company Affairs, Shastri Bhawan, V Floor, A-Wing
Dr. Rajender Prasad Road, New Delhi-110 001

November 19, 1983

To
The President,
The Institute of Cost and Works Accountants of India
12, Sudder Street, Calcutta-700 016

Sub: Appointment of Cost Auditor in Firm's Name

Sir,

I am directed to state that the question of appointment of Cost Auditors in firm's name for conducting cost audit has been under examination in the department and it has been decided to approve appointment of Cost Auditors in firm's name under sub-section (2) of Section 233B of the Companies Act, 1956, if such a proposal is received from the Board of Directors of any company subject to the following conditions:-

- (i) All the partners of the firm are practising cost accountants within the meaning of Section 6 and 7 of the Cost and Works Accountants Act, 1959, and
- (ii) the firm itself has been constituted with the previous approval of the Central Government as required under Regulation 113 of the Cost and Works Accountants Act, 1959.

2. It is requested that the above decision may be brought to the notice of practising cost accountants through the journal of the Institute of Cost and Works Accountants of India.

Yours faithfully,

(V. Gopalakrishnan)
Senior Cost Accounts Officer

**7.4.2.1**

No. 52/354/CAB-87

Date: 30.8.1988

Sub: Clarification relating to sub-section (1B) of Section 224 and sub-section (2) of Section 233B of the Companies Act, 1956 regarding the appointment of Cost Auditor

In the application of the amended provisions of the Companies Act, 1956 relating to the amendment to Section 233B (2) of the Act, the following points are hereby clarified:

(i) U/s 233B of the Act, the Cost Auditor is appointed by the Board of Directors of the Company with the previous approval of the Central Government. According to sub-section (2) of S. 233B *ibid*, the Board can make an appointment of the Cost Auditor only after obtaining a written certificate from him that his appointment if made will be in accordance with the provisions of sub-section (1B) of S. 224 of the Act. The Cost Auditor can give such a certificate only if he does not exceed the specified number of audits prescribed u/s 224 of the Act. As the appointment of Cost Auditor has to be made by the Board of Directors of the company after obtaining the previous approval of the Central Government, the appointment of an auditor is complete only when the company intimates in writing to the Cost Auditor that he has been appointed. Therefore, the Cost Auditor at the time of furnishing a certificate u/s 233B (2) of the Act will have to take into consideration only the number of companies for which he holds firm letters of appointment from various companies, as Cost Auditor.

(ii) Under the provision of S. 233B of the Act and the Cost Audit Report Rules made thereunder, the Cost Auditor after the submission of the Cost Audit Report has to furnish replies to all the supplementaries, queries from the Department of Company affairs arising through a review of the Cost Audit Report. A question has arisen as to when the term of a Cost Auditor in respect of company shall be deemed to have concluded. It is clarified that for the purpose of furnishing the certificate under sub-section (2) of S. 233B of the Act, a Cost Auditor shall be deemed to have concluded his appointment as soon as he renders a report to the Central Government in accordance with the Cost Audit Report Rules, with a copy to the Company. His obligation to answer queries from the Company Law Board arising out of review of cost audit reports should not debar him from accepting another appointment as Cost Auditor of a company provided the specified number of companies contemplated in S.224 (1B) is not exceeded.

The above clarification may be published in the Journal of the Institute of Cost and Works Accountants of India at an early date.

Yours faithfully,

(V. Gopalakrishnan)
Joint Director (Cost)



7.4.2.2

General Circular No. 15/2011

52/5/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003

Dated the April 11, 2011

To,

The President,
Institute of Cost and Works Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Appointment of Cost Auditor by Companies

Sir,

Ministry has reviewed the existing procedure followed by the companies for seeking prior approval of the Central Government for appointment of cost auditor under section 233B (2) of the Companies Act, 1956. In supersession of any earlier order/circular issued in this regard, the revised procedure to be followed by the companies and cost auditor shall be as under:

- (a) The company required to get its cost records audited under section 233B (1) of the Companies Act, 1956 shall appoint a cost auditor who is a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) and who holds a valid certificate of practice under sub-section (1) of section 6 of that Act and includes a firm of cost accountants.
- (b) The Audit Committee of the Board shall be the first point of reference regarding the appointment of cost auditors.
- (c) The Audit Committee shall ensure that the cost auditor is free from any disqualifications as specified under section 233B (5) read with section 224 and sub-section (3) or sub-section (4) of section 226 of the Companies Act, 1956.
- (d) While a cost auditor shall have prime responsibility to ensure that he does not violate the limits specified under section 224 (1-B) of the Companies Act 1956, the Audit Committee shall also be responsible for such compliance by the cost auditor.
- (e) The Audit Committee shall obtain a certificate from the cost auditor certifying his/its independence and arm's length relationship with the company.
- (f) The company shall e-file its application with the Central Government on www.mca.gov.in portal, in the prescribed form 23C within ninety days from the date of commencement of each financial year, along with the prescribed fee as per the Companies (Fees on Applications) Rules, 1999 as amended from time-to-time and other documents as per existing practice i.e. (i) certified copy of the Board Resolution proposing



- appointment of the cost auditor; and (ii) copy of the certificate obtained from the cost auditor regarding compliance of section 224 (1-B) of the Companies Act, 1956.
- (g) On filing the application, the same shall be deemed to be approved by the Central Government, unless contrary is heard within thirty days from the date of filing such application.
 - (h) If within thirty days from the date of filing such application, the Central Government directs the company to re-submit the said application with such additional information or explanation, as may be specified in that direction, the period of thirty days for deemed approval of the Central Government shall be counted from the date of re-submission by the company.
 - (i) After expiry of thirty days, as the case may be, the company shall issue formal letter of appointment to the cost auditor, as approved by the Board.
 - (j) Within thirty days of receipt of formal letter of appointment from the company, the cost auditor shall inform the Central Government in the prescribed form, alongwith a copy of such appointment. An e-form for the same is being developed and will be notified shortly.
 - (k) The company shall disclose full particulars of the cost auditor, along with the due date and actual date of filing of the cost audit report by the cost auditor, in its Annual Report for each relevant financial year.
 - (l) In those companies where constitution of an Audit Committee of the Board is not required by law, the words "Audit Committee" shall stand substituted by the words "Board of Directors".
2. If a company contravenes any provisions of this circular, the company and every officer thereof who is in default, including the persons referred to in sub-section (6) of section 209 of the Act, shall be punishable as provided under sub-section (2) of section 642 read with sub-sections (5) and (7) of section 209 and sub-section (11) of section 233B of Companies Act, 1956.
 3. If default is made by the cost auditor in complying with the aforesaid provisions, he shall be punishable with fine, which may extend to five thousand rupees.
 4. The modified procedure contained in this circular shall be effective from the financial year commencing on or after the 1st day of April, 2011.
 5. The Institute is requested to bring this to the general information of all Members in practice, and of the corporate sector.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. Director (NK), E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website <http://www.mca.gov.in/Ministry/Circulars.html>
2. All the Regional Directors and Registrars of Companies (via e-mail)



7.4.2.3

General Circular No. 36/2012

52/5/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003

Dated the November 6, 2012

To,

The President,
Institute of Cost and Works Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Appointment of Cost Auditor by Companies

Sir,

In continuation of the General Circular No. 15/2011 dated 11th April 2011, Ministry hereby makes the following changes:

- (a) The company shall, within thirty days from the date of approval by MCA of the application made to the Central Government in the prescribed Form 23C seeking its prior approval for the appointment of cost auditor, issue formal letter of appointment to the cost auditor, as approved by the Board.
- (b) The cost auditor shall, within thirty days of the date of formal letter of appointment issued by the company, inform the Central Government in the prescribed form 23D, alongwith a copy of such appointment.
- (c) In case of change of cost auditor caused by the death of existing cost auditor, companies are allowed to file fresh e-form 23C, without any additional fee, within 90 days of the date of death. The additional fee payable as per the Companies (Fees on Applications) Rules, 1999 [as amended] shall become applicable after expiry of the said 90 days. Accordingly, e-forms 23C and 23D are being modified to capture such details.
- (d) In case of change of cost auditor for reasons other than death of the existing cost auditor, companies are required to file fresh e-form 23C with applicable fee & additional fee, clearly specifying the reasons of change. In case of change due to resignation of the existing cost auditor, e-form 23C should be accompanied by the resignation letter of the existing cost auditor. In case of change due to the management policy of periodical rotation, then attach a copy of the Board approved rotational policy with the e-form 23C. In any other case, the change should be duly justified and supported with the relevant documents.
- (e) In order to ensure compliance of section 224(1-B) of the Companies Act 1956, required changes are being made in the MCA21 system to restrict the number of cost audit approvals to the limits specified in section 224(1-B) through a counter on the membership number of the sole proprietor or partner of the firm. It will be further ensured that in case of a sole proprietor, he has completed the audit and submitted the cost audit report. In case of a partnership firm, the partner so appointed or any other partner of the same firm



is allowed to complete the audit & submit cost audit report subject to his total numbers not exceeding the limit specified in section 224(1-B).

2. MCA is regularly receiving requests from the companies and cost auditors for making corrections in the e-forms 23C & 23D in respect of minor typographical errors or other mistakes such as incorrect financial year, incorrect name of the cost auditor or the cost audit firm, incorrect PAN number, incorrect scope of audit, etc. In MCA21 system, no changes are permitted in the approved e-forms. Therefore, all companies and cost auditors are hereby informed to carefully verify all particulars before uploading e-forms 23C or 23D on the MCA21 portal. In any rare case, if still any error/mistake is observed, it should be brought to the notice of MCA well before its approval enabling it to return the said e-form for re-submission after making the required corrections. Else, the companies and cost auditors shall be required to file fresh e-forms 23C & 23D containing correct particulars, alongwith the applicable fee and additional fee.

3. If a company or the cost auditor contravenes any provisions of this circular, the company and every officer thereof who is found to be in default, and the cost auditor in case he is in default, shall be punishable as per applicable provisions of the Companies Act, 1956.

4. The modifications contained in this circular shall be effective from the financial year commencing on or after the 1st day of January, 2013.

5. The Institute is requested to bring this to the general information of all Members in practice, and of the corporate sector.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM
4. PS to Secretary / Additional Secretary
5. PS to Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (UCN)
7. PS to Economic Adviser



7.4.2.4

General Circular No. 35/2012

F. No. 52/5/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003
Dated the November 5, 2012

To,
The President,
Institute of Cost Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Default by the Cost Auditors in filing Form 23D against the corresponding Form 23C.

Sir,

Ministry of Corporate Affairs vide General Circular No. 15/2011 dated April 11, 2011 had prescribed a revised procedure to be followed for appointment of cost auditors. As per the revised procedure, each company is required to e-file its application with the Central Government in the prescribed Form 23C within ninety days from the date of commencement of each financial year, which shall be approved by MCA within 30 days.

2. Upon approval by MCA, the company is required to issue formal letter of appointment to the cost auditor, who shall, within 30 days of receipt of such letter of appointment, inform the Central Government in the prescribed Form 23D alongwith a copy of such appointment.

3. It is, however, observed that since April 1, 2011, though all the appointment applications made by the companies concerned in Form 23C have already been approved by the MCA, a large number of cost auditors have defaulted in filing the required Form 23D within the stipulated time. In many cases, the default period is even more than a year. This has been viewed very seriously by the Ministry.

4. Keeping in view the initial operation of the revised procedure, all the defaulting cost auditors are requested to file their required Form 23D that have already become due till date, by December 16, 2012 positively. In case of any further default, names of such defaulting members shall be sent to the Institute on December 17, 2012 intimating the Institute to initiate Disciplinary Proceedings against them under the relevant provisions of Cost and Works Accountants Act, 1959.

5. In cases where the company concerned, after approval of Form 23C, has failed to issue the formal letter of appointment to the cost auditor, they shall do so within 15 days of the issue of this Circular enabling the cost auditor to file Form 23D within the extended time indicated above. In case of non-compliance, the company and every officer thereof who is found to be in default shall be punishable as per provisions of the Companies Act, 1956.

6. The Institute is requested to circulate this for the information of all concerned.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)
Tel: 011-24366005



Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM
4. PS to Secretary / Additional Secretary
5. PS to Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (UCN)
7. PS to Economic Adviser

7.4.2 Note on clarification for Appointment of Cost Auditor

It may be noted that the Ministry of Corporate Affairs issued Master Circular No. 2/2011 dated 11th November 2011 and many General Circulars which are combined clarification on "**Appointment of Cost Auditor, Cost Accounting Records Rules 2011 and Companies (Cost Audit Report) Rules, 2011**". These circulars are given under "**Revised Mechanism for Cost Audit**" hereinafter. The readers may refer these circulars accordingly.

7.4.3 Modified Cost Audit Report Rules

The Ministry of Corporate Affairs has notified new Companies (Cost Audit Report) Rules 2011 vide G.S.R. 430 (E) dated 3rd June 2011 replacing the Companies (Cost Audit Report) Rules 2001. Further, the Ministry of Corporate Affairs vide General Circular No. 8/2012 dated 10th May, 2012 has mandated the cost auditors and the companies to file Cost Audit Reports and Compliance Reports in XBRL Format from the year 2011-12 onwards.

To enable e-filing of Cost Audit Report and Compliance Report in XBRL Format, the Ministry of Corporate Affairs has amended the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, on 30th November, 2012 and inserted Rule 5 for filing of cost audit report and other documents using XBRL taxonomy by cost auditors.

Further, The Central Government has also amended on 30.11.2012 the e-forms and Forms relating to filing of Cost Audit Report in XBRL Format. The Form-I and Form-II to Cost Audit Report Rules 2011 dated 3rd June 2011 have been amended to Form I- XBRL and Form-II has been modified. The above amendments also stated that the definition of "Product/ Activity Group" shall be in accordance with "Product/Activity Group Classification" notified by the Ministry of Corporate Affairs vide S.O. 1747(E), dated the 7th August, 2012.

As per the above amendments, the tables appearing under each para to Companies (Cost Audit Report) Rules 2011 dated 3rd June 2011 have been deemed to be modified in accordance with the costing taxonomy published by the Ministry of Corporate Affairs, the companies and cost auditors are required to prepare and file the cost audit report accordingly.

7.4.3.1 Clarification on Cost Audit Report

The Clarification issued by the erstwhile Ministry of Law, Justice and Company Affairs (now Ministry of Corporate Affairs), on the Cost Audit Report is given on the next page:



No. 52/409/80-CAB

Government of India
Ministry of Law, Justice and Company Affairs
Cost Audit Branch 801, Kanchenjunga Bldg.
Barakhamba Road, New Delhi

Dated: 24th Aug. 84

To
The President,
The Institute of Cost and Works Accountants of India
12, Sudder Street, Calcutta-700 016

Sub: Authentication of Cost Audit Report in cases where a firm of Cost Auditors is approved under U/s 233B (2) of the Companies Act, 1956 for conducting Cost Audit

Sir,

I am directed to refer to this Department's letter of even number dated 19.11.83 intimating the decision of the Department regarding approval for appointment of Cost Auditors in firm's name under sub-section (2) of Section 233B (2) of the Companies Act, 1956.

2. In case where a firm of Cost Auditors is approved for appointment under sub-section (2) of Section 233B *ibid*, the Cost Audit Report shall be signed by anyone of the partners of the firm responsible for the conduct of Cost Audit in his own hand, for and on behalf of the firm, which has been approved for appointment as cost auditors of the company. In any case the report should not be signed by merely affixing the 'firm's name.

3. The above decision may be brought to the notice of practising cost accountants through the journal of the Institute.

4. The receipt of this letter may please be acknowledged and a copy of the Journal wherein it is published may be sent to this Department for information.

Yours faithfully,

(V. Gopalakrishnan)
Joint Director (Cost)



7.4.4 Revised Mechanism for Cost Audit

The previous practice of notifying industry/product wise Cost Accounting Records Rules and ordering product-wise cost audit orders through them on selective companies has been dispensed with by the Central Government.

Now Industry Specific Cost Audit Orders are issued by the Central Government. The following Cost Audit Orders have been issued in replacement of erstwhile cost audit orders:

- (i) *Cost Audit Orders vide F. No. 52/26/CAB-2010 dated 2nd May 2011;*
- (ii) *Cost Audit Orders vide F. No. 52/26/CAB-2010 dated 3rd May 2011 (superseded by 30th June 2011);*
- (iii) *Cost Audit Orders vide F. No. 52/26/CAB-2010 dated 30th June 2011 linking cost audit for the companies through Central Excise Tariff Act 1985 (CETA) Headings;*
- (iv) *Cost Audit Orders vide F. No. 52/26/CAB-2010 dated 24th January 2012 linking cost audit for the companies through Central Excise Tariff Act 1985 (CETA) Headings; and*
- (v) *Afresh Cost Audit Order vide F. No. 52/26/CAB-2012 dated 6th November 2012 has been issued by the Ministry of Corporate Affairs linking cost audit for the companies through Central Excise Tariff Act 1985 (CETA) Headings. This cost audit order is in supersession of the Cost Audit Orders dated 2nd May 2011, 30th June 2011 and 24th January 2012.*

This Cost Audit Order dated 6th November 2012 will be applicable for the Companies covered under this order for each of its financial year commencing on or after the 1st day of January 2013.

The relevant Notifications/ Circulars/ letters are given below for the ready reference of the readers:



**7.4.4.1 Notifications/ Circulars issued by the Ministry of Corporate Affairs for clarifications etc regarding
Cost Audit and Cost Accounting Records Rules**

Master Circular No. 2/2011

52/14/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003
Dated the November 11, 2011

To,
The President,
Institute of Cost and Works Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Master Circular on Cost Accounting Records and Cost Audit

Sir,

Ministry has from time-to-time issued number of circulars with regard to various matters concerning cost accounting records and cost audit in the corporate sector. All these circulars have been reviewed. In supersession of the earlier circulars as mentioned in Appendix, a Master Circular is issued as under:

- (a) As per provisions of the Cost Audit Report Rules that are in force from time-to-time, a cost auditor is required to comment on the scope and performance of internal audit of cost records. Hence it would tend to mitigate against the proper and dispassionate discharge of his duties if he was also the internal auditor of the company for the same period for which he is conducting the cost audit. In view of this, the cost auditor cannot also be the internal auditor of a company for the period for which he is conducting the cost audit, irrespective of the fact whether he is conducting cost audit for one or all of the company's products/activities.
- (b) The specified number of companies for the purpose of section 233B (2) read with section 224 (1B) of the Companies Act, 1956 is to be computed for a given financial year with reference to the number of companies wherein he has been appointed as the cost auditor, including those wherein he is proposed to be appointed for which he has given his consent. The number of companies in respect of which cost audit reports have not been submitted and have become overdue shall also be taken into account for the purposes of ceiling under section 224 (1B).
- (c) A cost auditor shall be deemed to have concluded his appointment for the relevant financial year as soon as he renders a report to the Central Government in accordance with the Cost Audit Report Rules, as applicable, with a copy to the Company. His obligation to answer queries from the Ministry of Corporate Affairs arising out of review of cost audit reports should not debar him from accepting another appointment as cost auditor of a company provided the specified number of companies contemplated in section 224 (1B) is not exceeded.
- (d) The duties of the cost accountants appointed to conduct an audit of cost accounts of the company flow directly from the provisions contained under section 233B of the Companies Act, 1956. As such they should, in strict compliance therewith and in compliance with the Cost Audit Report Rules in force, ensure that full and complete details of cost accounts are furnished in their cost audit reports.
- (e) In case where a firm of cost accountants is approved for appointment as cost auditors under Section 233B (2) of the Act, the cost audit report shall be signed by anyone of the partners of the firm responsible



for the conduct of cost audit in his own hand alongwith his membership number, for and on behalf of the firm. In any case the report should not be signed by merely affixing the firms' name.

- (f) Cost audit report for a financial year contains corresponding data for the previous year(s) also. If a company is covered under cost audit for the first time, then the cost auditor shall mention the figures for the previous year(s), certifying by means of a note that the figures so stated are on the basis of information furnished by the management, for which he has obtained a certificate from them.
- (g) Sub-section (6) of section 292A of the Companies Act, 1956 states that the Audit Committee should have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also ensure compliance on internal control systems. It has been already clarified in Departmental Circular No. 6/2001 dated 20.08.2001 that the term "auditors" includes cost auditor and hence "scope of audit including observations of the auditors" occurring in the above sub-section includes the scope of cost audit including observations of the cost auditors as well. Therefore, the Audit Committee in its duty to ensure compliance of internal control system shall also discuss the suggestions made in the cost audit report for implementation, wherever cost audit has been directed under section 233B of the Companies Act, 1956. The presence of the cost auditor in such committees will ensure overall cost management, efficiency in resource utilization, business vertical-wise performance evaluation, proper pricing of inter-unit/inter-company transfers and valuation of inventories. However, the cost auditor, wherever appointed, shall attend and participate at the meetings of the Audit Committee or the Board, as the case may be, but shall neither be a member nor have the right to vote.

2. The Institute is requested to bring this to the general information of all Members in practice, and of the corporate sector.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this master circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / to MOS
4. PS to Secretary / Addl. Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (DR) / DII (Policy)
7. PS to Economic Adviser

**Appendix****List of old Circulars on Cost Accounting Records and Cost Audit**

Sno.	Circular No.	Date of Issue	Subject
1.	52/320/80-CAB	January 20, 1982	Following of the format for submission of Cost Audit Report.
2.	52/826/81-CAB	February 15, 1982	Additional information to be furnished along with the Cost Audit Reports.
3.	1/1/1982-C.L.V / 23/44/1979-C.L.-II	January 20, 1983	Appointment of Cost Auditor as an Internal Auditor of a Company.
4.	1/1/83/-C.L.V / 52/318/80-CAB	March 18, 1983	Disclosure of full details in Cost Audit Report.
5.	54/409/80-CAB	November 19, 1983	Appointment of Cost Auditor in Firm's Name
6.	52/409/80-CAB	August 24, 1984	Authentication of Cost Audit Report in cases where a firm of Cost Auditors is approved under U/s 233B (2) of the Companies Act, 1956 for conducting Cost Audit
7.	52/354/CAB-87	August 30, 1988	Clarification relating to sub-section (1B) of Section 224 and sub-section (2) of Section 233B of the Companies Act, 1956 regarding the appointment of Cost Auditor
8.	52/430/88-CAB	January 9, 1990	Authentication of previous year figures in the Cost Audit Report
9.	35/1/90-CL.III	March 2, 1990	Clarification under Section 224 (1) of the Companies Act, 1956.
10.	3/8/89-CL.V	March 5, 1990	Clarification under section 224 (1B) of the Companies Act, 1956 read with section 233 of the Act.
11.	52/11/93-CAB	June 7, 1993	Maintenance of books of cost accounts as per Cost Accounting Records Rules.
12.	52/11/93-CAB	June 8, 1993	Revised Cost Audit Order on annual basis issued to the existing companies.
13.	5/21/2001-C.L.V / 52/03/CAB-2002	March 18, 2002	Cost Audit Report to be discussed in the Audit Committee to be constituted under section 292A of the Companies Act, 1956.
14.	52/22/CAB-2000	November 26, 2002	Submission of the soft copy of the Cost Audit Reports under section 233B of the Companies Act, 1956
15.	5/21/2001-C.L.V / 52/323/CAB-87	January 9, 2003	Participation of Cost Auditor in the meetings of Audit Committee to be constituted under Section 292A of the Companies Act, 1956 - clarification reg.



7.4.4.2

General Circular No. 67/2011

52/13/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003
Dated the November 30, 2011

To,

The President,
Institute of Cost and Works Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Cost Accounting Records and Cost Audit – clarifications about coverage of certain sectors thereunder.

Sir,

Ministry has examined various issues raised by the companies and/or professionals in connection with the recently issued circulars/notifications concerning cost accounting records and coverage of cost audit. To remove doubts and ambiguities, the following clarifications are issued:

- (a) That the Companies (Cost Accounting Records) Rules, 2011 are not applicable to:
- (i) Wholesale or retail trading activities.
 - (ii) Banking, financial, leasing, investment, insurance, education, healthcare, tourism, travel, hospitality, recreation, transport services, business/professional consultancy, IT & IT enabled services, research & development, postal/courier services, etc. unless any of these have been specifically covered under any other Cost Accounting Records Rules.
 - (iii) Companies engaged in rendering job work operations or contracting/ sub-contracting activities, and are paid only the job work or conversion charges, such as tailoring, baking, repairing, painting, printing, constructing, servicing, etc.
 - (iv) Companies engaged in the production, processing, manufacturing or mining activities till such time they commences their commercial operations.
 - (v) Ancillary products/activities of companies incidental to their main operations (i.e. products/activities that do not constitute their main line of business) and wherein the total turnover from the sale of each such ancillary products/activities do not exceed 2% of the total turnover of the company or Rs.20 crores, whichever is lower. However, required details of all such ancillary products/activities may be maintained under a miscellaneous group and disclosed appropriately.
- (b) That the Cost Audit Orders [no. 52/26/CAB-2010 dated 2nd May 2011 and 30th June 2011] shall not apply to the following cases:
- (i) Generation of electricity for captive consumption. For this purpose, the term "Captive Generating Plant" shall have the same meaning as assigned in Rule 3 of the Electricity Rules, 2005.



- (ii) Own manufactured products that are consumed exclusively by the company for the sole purpose of production, processing, manufacturing, or mining of its other products or activities that are subject to cost audit.
 - (iii) Hundred percent Export Oriented Units.
- (c) That only such items falling under the relevant chapter(s) of the Central Excise Tariff Act, 1985 as constitute intermediate or final or allied products of the industry mentioned in the Cost Audit Order dated 30th June 2011 shall be covered under cost audit and all other items not related to the industry shall be outside the purview of said orders.

For the purpose of these orders, the words “intermediate products” mean only such products that have already undergone partial manufacturing/ production process and are used as inputs for the production, processing, manufacturing or mining of the final products of the industries listed in the said order; the words “articles or allied products thereof” refer to such articles or allied products that are produced either wholly or predominantly [not less than 50% by weight or volume] by using the listed products as their primary inputs.

To explain this aspect further, the following clarifications are given as illustrations:

- (i) For Paints & Varnish industry, all other items such as tanning or dyeing extracts, tanning & their derivatives, dyes, pigments & other colouring matters, putty & other mastics, printing inks, etc. mentioned in Chapter 32 of the Central Excise Tariff Act, 1985 are not covered unless such items are used as intermediates for the production of Paints & Varnishes or are produced as their allied products.
 - (ii) For Tyres & Tubes industry, all other items such as natural or synthetic or reclaimed rubber, compounded rubber, hard rubber, rubber thread or cord, conveyer or transmission belts, articles of rubber, etc. mentioned in Chapter 40 of the Central Excise Tariff Act, 1985 are not covered unless such items are used as intermediates for the production of Tyres & Tubes or are produced as their allied products.
 - (iii) Examples of intermediate products include clinker for cement, pulp for paper, sponge iron & pig iron for steel, etc. Examples of articles or allied products of cement include cement bricks, sleepers, pipes; of paper include cartons, boxes, bags, registers; and of steel include ingots, blooms, billets, slabs, beams, angles, tees, channels, pilings, rails, bars, wire, nails, plates, pipes, tubes, coils, sheets, etc.
2. In case of any doubt, companies are requested to refer their cases to this office for clarification by giving complete details. The Institute is requested to circulate this General Circular for information of all concerned.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Addl. Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (DR) / DII (Policy)
7. PS to Economic Adviser



7.4.4.3

General Circular No. 68/2011

52/13/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003

Dated the November 30, 2011

To,
The President,
Institute of Cost and Works Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Cost Accounting Records and Cost Audit – clarifications regarding applicability and compliance requirements.

Sir,

In connection with the recently issued circulars/notifications concerning cost accounting records and cost audit, following clarifications are issued:

- (a) That the companies covered under Companies (Cost Accounting Records) Rules, 2011 shall only file a simple compliance report as per the notified Form-B (copy enclosed) and no other details of cost records are required to be filed with the Government. If all the products/activities of a company, excluding the exempted categories, are covered under cost audit, then the company will not be required to separately file the compliance report.
- (b) That for companies coming under the purview of the Companies (Cost Accounting Records) Rules, 2011 and the Companies (Cost Audit Report) Rules, 2011 for the first time, cost records and cost details, statements, schedules, etc. shall be kept in good order for the next eight financial years beginning with first year of application of the said Rules.
- (c) That the term "Turnover" defined in the Companies (Cost Accounting Records) Rules, 2011 shall exclude taxes & duties. It shall have the same meaning, wherever it appears, in all other orders/rules issued in connection with the cost accounting records and cost audit.
- (d) That for filing the cost audit reports under the Companies (Cost Audit Report) Rules, 2011, following procedure may be followed:
 - (i) If only one product of a company is subject to cost audit and the company appoints more than one cost auditor, only a consolidated cost audit report [containing inter alia the qualifications, reservations or suggestions if any given by all the cost auditors] should be prepared as per the Companies (Cost Audit Report) Rules, 2011 and signed by all the cost auditors.

For this purpose, company may designate/appoint any one of them as the principal/lead cost auditors who would be responsible for the consolidation and filing the same with the Central Government.

- (ii) If more than one products of a company are under cost audit for which it has appointed either same or separate cost auditors, then they may either submit separate cost audit report for each



product group or submit only one consolidated report containing details of each product group under audit separately as per the procedure provided above.

- (e) That in the General Circular no. 15/2011 dated 11th April 2011 regarding appointment of cost auditors by companies, it was provided that the Audit Committee shall obtain a certificate from the cost auditor certifying his/its independence and 'arm's length relationship' with the company. In order that 'arm's length relationship' is in fact ensured, it may be noted that cost auditor(s) appointed under section 233B(2) of the Companies Act, 1956 [whether for one or all of the company's products covered under cost audit], shall not provide any other services to the company relating to (i) design and implementation of cost accounting system; or (ii) the maintenance of cost accounting records, or (iii) act as internal auditor, whether acting individually, or through the same firm or through other group firms where he or any partner has any common interest. It is however clarified that the cost auditors are allowed to certify the compliance report or provide any other services as may be assigned by the company, but which shall not include any of the services mentioned above.
2. The Institute is requested to circulate this General Circular for information of all concerned.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Addl. Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (DR) / DII (Policy)
7. PS to Economic Adviser

FORM-B

FORM OF COMPLIANCE REPORT

[See rule 2, and rule 5]

I/We being in permanent employment of the company / in practice, and having been appointed as cost accountant under Rule 5 of the Companies (Cost Accounting Records) Rules, 2011 of (*mention name of the company*) having its registered office at (*mention registered office address of the company*) (hereinafter referred to as the company), have examined the books of account prescribed under clause (d) of sub-section (1) of section 209 of the said Act, and other relevant records for the period/year (*mention the financial year*) and certify as under:

- 1 I/We have/have not obtained all the information and explanations, which to the best of my/our knowledge and



belief were necessary for the purpose of this compliance report.

- 2 In my/our opinion, proper cost records, as per Companies (Cost Accounting Records) Rules, 2011 prescribed under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, have/have not been maintained by the company so as to give a true and fair view of the cost of production/operation, cost of sales and margin of all the products/activities of the company.
- 3 Detailed unit-wise and product/activity-wise cost statements and schedules thereto in respect of the product groups/activities are/are not kept in the company.
- 4 In my/our opinion, the said books and records give/do not give the information required by the Companies Act, 1956 in the manner so required.
- 5 In my/our opinion, the said books and records are/are not in conformity with the generally accepted cost accounting principles and cost accounting standards issued by The Institute of Cost and Works Accountants of India, to the extent these are found to be relevant and applicable.

Dated: this ____ day of _____ 20__ at _____ (mention name of place of signing this report)

SIGNATURE & SEAL OF THE COST ACCOUNTANT (S)

MEMBERSHIP NUMBER (S)

NOTES:

- (i) Delete words not applicable.
- (ii) If as a result of the examination of the books of account, the cost accountant desires to point out any material deficiency or give a qualified report, he shall indicate the same against the relevant para.
- (iii) Briefly give your observations and suggestions, if any, relevant to the maintenance of cost accounting records by the company.
- (iv) Cost accountant may use separate sheet(s) for (ii) and (iii) above, if required.



ANNEXURE TO THE COMPLIANCE REPORT

[See rule 2 and rule 5]

1. GENERAL:

- a) Name of the company:
- b) Registered office address:
- c) Financial year to which the Compliance Report relates.

2. QUANTITATIVE INFORMATION:

Sno.	Name of the Product / Service Group	Unit	Annual Production (Qty.)	Net Sales	
				(Qty.)	(Value in Rupees)
A	Produced / Manufactured Product Groups				
	1.				
	2.				
	3. etc.				
B	Services Groups				
	1.				
	2.				
	3. etc.				
C	Trading Activities (Product Group-wise)				
	1.				
	2.				
	3. etc.				
D	Other Income				
Total Income as per Financial Accounts					

**3. RECONCILIATION STATEMENT:**

Net Margin (Profit/Loss) as per Cost Accounts	(In Rupees)
A. From Produced / Manufactured Product Groups	
B. From Services Groups	
C. From Trading Activities	
Total as per Cost Accounts	
Add: Incomes not considered in Cost Accounts (if any)	
Less: Expenses not considered in Cost Accounts (if any)	
Add/Less: Difference in Stock Valuation	
Profit/(Loss) as per Financial Accounts	

NOTES:

- (i) For produced/manufactured product groups, use the nomenclature as used in the Central Excise Act/Rules, as applicable.
- (ii) For services groups, use the nomenclature as used in the Finance Act/Central Service Tax Rules, as applicable.

SIGNATURE

NAME

COST ACCOUNTANT (S)
MEMBERSHIP NUMBER (S)
SEAL and DATE



7.4.4.4

General Circular No. 8/2012

52/17/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003

Dated the May 10, 2012

To,
The President,
Institute of Cost Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Filing of Cost Audit Report (Form-I) and Compliance Report (Form-A) in the eXtensible Business Reporting Language (XBRL) mode.

Sir,

It has been decided by the Ministry of Corporate Affairs to mandate the cost auditors and the companies to file Cost Audit Reports (Form-I) and Compliance Reports (Form-A) for the year 2011-12 onwards (including the overdue reports relating to any previous year) by using the XBRL taxonomy. These reports, required to be filed in the XBRL format, would be based on the Taxonomy on XBRL being developed for the formats (Form-I & Form-A) given in the following Rules:

- (i) Companies (Cost Accounting Records) Rules, 2011
- (ii) Cost Accounting Records (Telecommunication Industry) Rules 2011
- (iii) Cost Accounting Records (Petroleum Industry) Rules 2011
- (iv) Cost Accounting Records (Electricity Industry) Rules 2011
- (v) Cost Accounting Records (Sugar Industry) Rules 2011
- (vi) Cost Accounting Records (Fertilizer Industry) Rules 2011
- (vii) Cost Accounting Records (Pharmaceutical Industry) Rules 2011
- (viii) Companies (Cost Audit Report) Rules, 2011

2. Hence, all cost auditors and companies, which are liable to file Cost Audit Reports (Form-I) and Compliance Reports (Form-A), are requested to file their reports with the Central Government after 30th June, 2012 in the XBRL mode by which time the relevant taxonomy together with Form-I & Form-A in XBRL format is likely to be ready and notified.

3. The Institute is requested to circulate this General Circular for the information of all concerned.

(B.B.Goyal)
Adviser (Cost)



Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Special Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (DR) / DII (Policy)
7. PS to Economic Adviser



7.4.4.5

General Circular No. 11/2012

F. No. 52/1/CAB-2012
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhavan,
CGO Complex,
New Delhi-110003
Dated the 25th May, 2012

To,
The President,
Institute of Cost Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Cost Accounting Records and Cost Audit – clarifications about coverage of certain sectors thereunder.

Sir,

In partial modification of para (b) (iii) of the General Circular No. 67/2011 dated 30th November, 2011, it has been decided to extend exemption from mandatory cost audit to all units located in the specified zones such as Special Economic Zones (SEZs), Export Processing Zones (EPZs) and Free Trade Zones (FTZs) and also to the 100% Export Oriented Units (EOUs), subject to the following:

- a) Exemption from mandatory cost audit will be available only to those units of a company that are either located in the specified Zones or qualify as 100% EOUs and not to all other units of the same company.
 - b) There will be no exemption from maintenance of cost accounting records and filing of compliance report with the MCA in compliance with the applicable Cost Accounting Records Rules.
 - c) In case any regulatory body seeks cost data in respect of exempted units of any industry, then all relevant units of such industry would be subject to cost audit in accordance with the provisions of applicable Rules/Orders.
 - d) The DTA (domestic tariff area) sales in all such exempted units for each year shall not exceed the permissible limits as per the policy in force. In case their DTA sales for any year exceeds the permissible limits, then the exemption from cost audit available to the unit shall stand withdrawn and the unit would be subject to cost audit in accordance with the provisions of applicable Rules/Orders starting with the year in which exemption stood withdrawn and for every subsequent year thereafter.
 - e) If any such exempted unit either relocates outside the specified Zones or lose 100% EOU status, then the mandatory cost audit would become applicable from the year in which such change has taken place and for every subsequent year thereafter.
2. The Institute is requested to circulate this General Circular for the information of all concerned.

(B.B.Goyal)
Adviser (Cost)
Tel: 011-24366005



Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Special Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (DR) / DII (Policy)
7. PS to Economic Adviser



7.4.4.6

F. No. 52/1/CAB-2012
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhavan,
CGO Complex,
New Delhi-110003
Dated the 25th May, 2012

To,

The Secretary General,
Construction Federation of India,
1103, Antriksh Bhawan,
22, K.G. Marg,
New Delhi – 110 001

Subject: Exemption from applicability of Cost Accounting Records Rules to the Construction Industry.

Sir,

Please refer your letter dated 23rd March, 2012 on the subject cited. CFI had earlier made a similar reference on 19th December, 2011 and the matter was discussed in MCA on 11th January, 2012 with the representatives of CFI and of few leading construction/development companies wherein it was observed that all such companies are already maintaining cost accounting records for their internal requirements. Cost Accounting Records Rules 2011 do not visualize companies to change their cost accounting system if already in-place; but they are required to comply with the Generally Accepted Cost Accounting Principles and Cost Accounting Standards issued by the Institute of Cost Accountants of India, to the extent these are found to be relevant and applicable and also file compliance report with the Central Government. It was also observed that existence of structured & verified cost accounting records would enable the companies to fulfill regulatory requirements; comply with the Tax Accounting Standards; and assist in their tax assessments.

2. Based on the discussions held, detailed clarifications were issued on 16th January, 2012 that were duly acknowledged by the CFI vide their letter dated 27th January, 2012 and also conveyed to all their member companies for implementation.

3. However, the matter has been once again examined in the Ministry and it has been decided that there appear no reasons for granting any special exemption to the construction (incl. development or real estate) industry from the applicability of the Companies (Cost Accounting Records) Rules 2011. Hence the decisions already conveyed earlier vide letter dated 16th January, 2012 are being reiterated as under:

- a) All companies engaged in the construction and/or development (real estate) businesses who meet with the threshold limits laid down in Rule 3 of the Companies (Cost Accounting Records) Rules, 2011 shall be required to maintain cost accounting records and file compliance report with the Central Government in accordance with the provisions of these Rules. This includes companies undertaking construction jobs with the use of own materials [whether self manufactured/produced or procured from outside] and/or development of residential, commercial or industrial estates i.e. development of township, residential units, commercial complex, office blocks, industrial parks [including SEZ], etc. or construction of highways, rails, roads, bridges, industrial & non-industrial structures, or other infrastructure facilities etc or construction activities undertaken under BOT/BOOT mode, or the projects undertaken as EPC contractor or the projects undertaken abroad by a company incorporated in India.
- b) As per MCA's General Circular No. 67/2011 dated 30th November 2011, companies engaged in construction business as contractors or sub-contractors wherein they are paid only the conversion charges are exempted from the applicability of Companies (Cost Accounting Records) Rules, 2011.



- c) Companies (Cost Accounting Records) Rules, 2011 do not apply to such Joint Ventures that are non-corporate entities [i.e. not companies registered under the Companies Act] or to unlisted companies that are below the specified threshold limits or to a body corporate governed by any special Act.
- d) As on date, no cost audit is applicable on the companies engaged in the construction and/or development (real estate) business. Hence, these companies are only required to maintain cost accounting records and file compliance report with the Central Government that can be signed by their employee cost accountant as defined in Rule 2(c) of the Companies (Cost Accounting Records) Rules, 2011.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)
Tel: 011-24366005

Copy to:

1. The General Manager, Confederation of Real Estate Developers' Associations of India, 703, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi – 110 001 with reference to their letter no. 59/MCA/2012 dated 3rd April, 2012. You are requested to bring this to the notice of all your member companies & associations for due compliance.
2. The President, Institute of Cost Accountants of India, 12, Sudder Street, Kolkata – 700 016 with a request to circulate this for the information of all concerned.



7.4.4.7

General Circular No. 12/2012

F. No. 52/13/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhavan,
CGO Complex,
New Delhi-110003
Dated the 4th June, 2012

To,
The President,
Institute of Cost Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Cost Accounting Records and Cost Audit – general clarifications.

Sir,

Ministry of Corporate Affairs has so far issued following circulars in connection with the cost accounting records, cost audit, appointment of cost auditors etc:

1. General Circular No. 15/2011 dated 11th April, 2011
2. Master Circular No. 2/2011 dated 11th November, 2011
3. General Circular No. 67/2011 dated 30th November, 2011
4. General Circular No. 68/2011 dated 30th November, 2011
5. General Circular No. 8/2012 dated 10th May, 2012
6. General Circular No. 11/2012 dated 25th May, 2012

It is hereby clarified that all these circulars [including the present circular] are applicable in respect of all the Cost Accounting Records Rules notified in 2011 and the industry specific Cost Audit Orders issued so far; to the extent these are relevant and applicable.

2. Ministry of Corporate Affairs vide no. 52/26/CAB-2010 dated 2nd May, 2011 had directed that every company to which any of the following rules apply, and wherein, the aggregate value of net worth as on the last date of the immediately preceding financial year exceeds five crore of rupees; or wherein the aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds twenty crore of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of April, 2011, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).

- (a) Cost Accounting Records (Bulk Drugs) Rules, 1974
- (b) Cost Accounting Records (Formulations) Rules, 1988
- (c) Cost Accounting Records (Fertilizers) Rules, 1993
- (d) Cost Accounting Records (Sugar) Rules, 1997
- (e) Cost Accounting Records (Industrial Alcohol) Rules, 1997
- (f) Cost Accounting Records (Electricity Industry) Rules, 2001



- (g) Cost Accounting Records (Petroleum Industry) Rules, 2002
- (h) Cost Accounting Records (Telecommunications) Rules, 2002
3. In supersession of the aforesaid Rules, following industry specific Cost Accounting Records Rules were notified:
1. Cost Accounting Records (Telecommunication Industry) Rules 2011 notified vide GSR 869(E) dated December 7, 2011.
 2. Cost Accounting Records (Petroleum Industry) Rules 2011 notified vide GSR 870(E) dated December 7, 2011.
 3. Cost Accounting Records (Electricity Industry) Rules 2011 notified vide GSR 871(E) dated December 7, 2011.
 4. Cost Accounting Records (Sugar Industry) Rules 2011 notified vide GSR 872(E) dated December 7, 2011.
 5. Cost Accounting Records (Fertilizer Industry) Rules 2011 notified vide GSR 873(E) dated December 7, 2011.
 6. Cost Accounting Records (Pharmaceutical Industry) Rules 2011 notified vide GSR 874(E) dated December 7, 2011.
4. In view of above, it is hereby clarified that the Cost Audit Order No. 52/26/CAB-2010 dated 2nd May, 2011 shall be applicable as under:
- a) For all companies wherein their products/activities are already covered under any of the erstwhile industry specific Cost Accounting Records Rules, as mentioned in para 2 above [before their supersession] and meeting with the threshold limits mentioned in the said Cost Audit Orders – in respect of each financial year commencing on or after the 1st day of April, 2011 i.e. from the financial year 2011-12 onwards.
 - b) For all companies wherein their products/activities are for the first time covered under any of the revised industry specific Cost Accounting Records Rules, as mentioned in para 3 above and meeting with the threshold limits mentioned in the said Cost Audit Orders – in respect of each financial year commencing on or after the 7th December, 2011 i.e. from the financial year 2012-13 [incl. calendar year 2012] onwards.
5. It is further clarified that in case of companies engaged in production, processing, manufacturing or mining of multiple products/activities, if any of their products/activities are not covered under the industry specific Cost Accounting Records Rules, but are covered under the Companies (Cost Accounting Records) Rules, 2011 notified vide GSR 429(E) dated June 3, 2011 and wherein such products/activities are not covered under cost audit vide cost audit orders dated June 30, 2011 and January 24, 2012; such companies shall be required to file compliance report with the Central Government in accordance with the clarifications given vide para (a) of the MCA's General Circular No. 68/2011 dated 30th November, 2011.
6. The Institute is requested to circulate this General Circular for the information of all concerned.

(B.B.Goyal)
Adviser (Cost)
Tel: 011-24366005

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Special Secretary



-
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
 6. PS to DII (RC) / DII (UCN)
 7. PS to Economic Adviser



7.4.4.8

General Circular No. 18/2012

52/17/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003
Dated the July 26, 2012

To,
The President,
Institute of Cost Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Filing of Cost Audit Report and Compliance Report in the eXtensible Business Reporting Language (XBRL) mode.

Sir,

Vide MCA's General Circular No. 8/2012 dated 10th May, 2012 [as amended on 29th June, 2012], it has already been mandated by the Ministry of Corporate Affairs that all cost auditors and the concerned companies shall file their Cost Audit Reports and Compliance Reports for the year 2011-12 onwards [including the overdue reports relating to any previous year(s)] only in the XBRL mode. For this purpose, the applicable taxonomy, business rules, validation tools, etc. and also the "Product Group" classification required for preparing the cost audit reports and compliance reports as per the notified Cost Accounting Records Rules, 2011 and Cost Audit Report Rules, 2011 are under preparation and would soon be made available by the Ministry. The actual date for enabling XBRL filing will be intimated separately.

2. It has now been decided by the Ministry that all cost auditors and the concerned companies will be allowed to file their Cost Audit Reports and Compliance Reports for the year 2011-12 [including the overdue reports relating to any previous year(s)] with the Central Government in the XBRL mode, without any penalty, upto 31st December, 2012.
3. The Institute is requested to circulate this for the information of all concerned.

(B.B.Goyal)
Adviser (Cost)
Tel: 011-24366005

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Special Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (RC) / DII (UCN)
7. PS to Economic Adviser



7.4.5 Cost Audit Orders

The Ministry of Corporate Affairs has issued the following Cost Audit Orders:

7.4.5.1

F. No. 52/26/CAB-2010
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi-110 003

Dated the 2nd May, 2011

ORDER

In exercise of the powers conferred by sub-section (1) of section 233B of the Companies Act, 1956 (1 of 1956), the Central Government, being of the opinion that it is necessary to do so, hereby directs that all companies to which any of the following rules apply, and wherein, the aggregate value of net worth as on the last date of the immediately preceding financial year exceeds five crores of rupees; or wherein the aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds twenty crores of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of April, 2011, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).

- (i) *Cost Accounting Records (Bulk Drugs) Rules, 1974*
- (j) *Cost Accounting Records (Formulations) Rules, 1988*
- (k) *Cost Accounting Records (Fertilizers) Rules, 1993*
- (l) *Cost Accounting Records (Sugar) Rules, 1997*
- (m) *Cost Accounting Records (Industrial Alcohol) Rules, 1997*
- (n) *Cost Accounting Records (Electricity Industry) Rules, 2001*
- (o) *Cost Accounting Records (Petroleum Industry) Rules, 2002*
- (p) *Cost Accounting Records (Telecommunications) Rules, 2002*

2. Every company to which these orders apply shall follow the revised procedure for appointment of cost auditor as laid down vide Ministry of Corporate Affairs' General Circular No. 15/2011 [52/5/CAB-2011] dated 11th April 2011.

3. The audit shall be conducted in such manner as will enable the cost auditor to prepare the report in accordance with the Cost Audit (Report) Rules, 2001 as amended from time to time. The report of the cost auditor shall be forwarded to the Central Government in the prescribed format within the time stipulated under the said Rules.

4. These orders do not apply to a company which is a body corporate governed by any special Act.

5. All companies covered by these orders and wherein cost audit orders have been issued so far in



respect of products/activities covered by the above mentioned rules shall continue to comply with the said orders until these orders become applicable on them.

6. If a company contravenes any provisions of these orders, the company and every officer thereof who is in default, including the persons referred to in sub-section (6) of section 209 of the Companies Act, 1956, shall be punishable as provided under sub-section (2) of section 642 read with sub-section (11) of section 233B of the Companies Act, 1956 (1 of 1956).

(B.B.Goyal)

Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this order on the MCA's website.
2. The President, Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata – 700016 with a request to bring this order to the general information of all Members in practice and of the corporate sector.



7.4.5.2

F. No. 52/26/CAB-2010
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi-110 003
Dated the 3rd May, 2011

ORDER

In exercise of the powers conferred by sub-section (1) of section 233B of the Companies Act, 1956 (1 of 1956), the Central Government, being of the opinion that it is necessary to do so, hereby directs that all companies to which any of the following rules apply, and wherein the aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds hundred crores of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of April, 2011, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).

- (a) *Cost Accounting Records (Cement) Rules, 1997*
- (b) *Cost Accounting Records (Tyres & Tubes) Rules, 1967*
- (c) *Cost Accounting Records (Steel Plant) Rules, 1990*
- (d) *Cost Accounting Records (Steel Tubes and Pipes) Rules, 1984*
- (e) *Cost Accounting Records (Paper) Rules, 1975*
- (f) *Cost Accounting Records (Insecticides) Rules, 1993*

2. Every company to which these orders apply shall follow the revised procedure for appointment of cost auditor as laid down vide Ministry of Corporate Affairs' General Circular No. 15/2011 [52/5/CAB-2011] dated 11th April 2011.

3. The audit shall be conducted in such manner as will enable the cost auditor to prepare the report in accordance with the Cost Audit (Report) Rules, 2001 as amended from time to time. The report of the cost auditor shall be forwarded to the Central Government in the prescribed format within the time stipulated under the said Rules.

4. These orders do not apply to a company which is a body corporate governed by any special Act.

5. All companies covered by these orders and wherein cost audit orders have been issued so far in respect of products/activities covered by the above mentioned rules shall continue to comply with the said orders until these orders become applicable on them.

6. If a company contravenes any provisions of these orders, the company and every officer thereof who is in default, including the persons referred to in sub-section (6) of section 209 of the Companies Act, 1956, shall be punishable as provided under sub-section (2) of section 642 read with sub-section (11) of section 233B of the Companies Act, 1956 (1 of 1956).

(B.B.Goyal)
Adviser (Cost)



Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this order on the MCA's website.
2. The President, Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata – 700016 with a request to bring this order to the general information of all Members in practice and of the corporate sector.



7.4.5.3

F. No. 52/26/CAB-2010
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi-110 003

Dated the 30th June, 2011

ORDER

Consequent upon notification of the Companies (Cost Accounting Records) Rules, 2011 published vide G.S.R. 429(E) dated 3rd June 2011 and in modification of the earlier Order of even number dated 3rd May 2011, the Central Government hereby makes the following Order.

In exercise of the powers conferred by sub-section (1) of section 233B of the Companies Act, 1956 (1 of 1956), the Central Government, being of the opinion that it is necessary to do so, hereby directs that all companies to which the Companies (Cost Accounting Records) Rules, 2011 apply, and which are engaged in the production, processing, manufacturing or mining of the following products/activities, including intermediate products and articles or allied products thereof, and wherein the aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds hundred crores of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of April, 2011, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).

Sno.	Name of the Industry	Relevant Chapter Heading of the Central Excise Tariff Act, 1985
1.	Cement	Chapter 25, 38 and 68
2.	Tyres & Tubes	Chapter 40
3.	Steel	Chapter 72 and 73
4.	Paper	Chapter 47 and 48
5.	Insecticides*	Chapter 38
6.	Glass	Chapter 70
7.	Paints & Varnishes	Chapter 32
8.	Aluminum	Chapter 76

Note: Intermediate products and articles or allied products of above industries if included under any other Chapter of the Central Excise Tariff Act, 1985 not mentioned above shall also be covered under these orders.

**Includes all classes of Insecticides as defined under clause (e) of Section 3 of the Insecticides Act, 1968 (46 of 1968) and included in the schedule annexed to the said Act and as amended from time to time.*

2. Every company to which these orders apply shall follow the revised procedure for appointment of cost auditor as laid down vide Ministry of Corporate Affairs' General Circular No. 15/2011 [52/5/CAB-2011] dated 11th April 2011. For companies covered first time under these modified orders and wherein their financial year has already commenced between the 1st day of April, 2011 and the date of these orders, the period of ninety days for e-filing their applications with the Central Government in the prescribed form 23C for appointment of cost auditors shall be counted from the date of these orders.

3. The audit shall be conducted in such manner as will enable the cost auditor to prepare the report in accordance with the Companies (Cost Audit Report) Rules, 2011 published vide G.S.R. 430(E) dated 3rd June



2011. The report of the cost auditor shall be forwarded to the Central Government in the prescribed format within the time stipulated under the said Rules.

4. These orders do not apply to a company which is a body corporate governed by any special Act.
5. All companies covered by these orders and wherein cost audit orders have been issued so far in respect of products/activities covered by any or all of the Cost Accounting Records Rules as they existed before their supersession by the Companies (Cost Accounting Records) Rules, 2011 published vide G.S.R. 429(E) dated 3rd June 2011 shall continue to comply with the said orders until these orders become applicable on them.
6. If a company contravenes any provisions of these orders, the company and every officer thereof who is in default, including the persons referred to in sub-section (6) of section 209 of the Companies Act, 1956, shall be punishable as provided under sub-section (2) of section 642 read with sub-section (11) of section 233B of the Companies Act, 1956 (1 of 1956).

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this order on the MCA's website.
2. The President, Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata – 700016 with a request to bring this order to the general information of all Members in practice and of the corporate sector.



7.4.5.4

F. No. 52/26/CAB-2010
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhavan,
CGO Complex, Lodi Road,
New Delhi-110 003

Dated the 24th January, 2012

ORDER

In exercise of the powers conferred by sub-section (1) of section 233B of the Companies Act, 1956 (1 of 1956), the Central Government, being of the opinion that it is necessary to do so, hereby directs that all companies to which the Companies (Cost Accounting Records) Rules, 2011 apply, and which are engaged in the production, processing, manufacturing or mining of the following products/activities, including intermediate products and articles or allied products thereof, and wherein the aggregate value of the turnover made by the company from sale or supply of all its products/activities during the immediately preceding financial year exceeds hundred crore of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of April, 2012, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).

<u>Sno.</u>	<u>Name of the Industry</u>	<u>Relevant Chapter Heading of the Central Excise Tariff Act, 1985</u>
1.	Jute, cotton, silk, woolen or blended fibers/textiles	Chapters 50 to 63
2.	Edible oil seeds and Oils (incl. vanaspati)	Chapters 12 and 15
3.	Packaged food products	Chapters 2 to 25 (except Chapters 5, 6, 14, 23 and 24)
4.	Organic & Inorganic Chemicals	Chapters 28, 29, 32, 38 and 39
5.	Coal & Lignite	Chapter 27
6.	Mining & Metallurgy of ferrous & non-ferrous metals	Chapters 26 and 74 to 83 (except Chapters 76 and 77)
7.	Tractors & other motor vehicles (incl. automotive components)	Chapters 84, 85 and 87
8.	Plantation Products	Chapters 8, 9, 21 and 40,
9.	Engineering machinery (incl. electrical & electronic products)	Chapters 84 and 85

Notes:

(a) Intermediate or final products and articles or allied products of above industries if included under any other Chapter of the Central Excise Tariff Act, 1985 not mentioned above shall also be covered under these orders.

(b) Items falling under above Chapter references exclude those products that have been already covered vide cost audit orders dated 2nd May 2011 and 30th June 2011.

(c) Products falling under above Chapter references are to be considered against the respective industry as applicable.



2. Every company to which these orders apply shall follow the revised procedure for appointment of cost auditor as laid down vide Ministry of Corporate Affairs' General Circular No. 15/2011 dated 11th April 2011.
3. The audit shall be conducted in such manner as will enable the cost auditor to prepare the report in accordance with the Companies (Cost Audit Report) Rules, 2011 published vide G.S.R. 430(E) dated 3rd June 2011. The report of the cost auditor shall be forwarded to the Central Government in the prescribed format within the time stipulated under the said Rules.
4. In view of issue of industry specific cost audit orders, all company specific cost audit orders issued to the individual companies prior to 31st March, 2011 directing them to get their cost records audited for the products/activities specified in such orders stand withdrawn with effect from the financial year commencing on or after the 1st day of April, 2012.
5. All companies who were earlier issued company specific orders prior to 31st March, 2011 but are later covered either by this industry specific order and/or by earlier similar orders dated 2nd May 2011 or 30th June 2011 [subject to their meeting with the qualifying criteria mentioned therein] shall now comply with the industry specific orders, as applicable, replacing the earlier company specific order.
6. All companies wherein this industry specific cost audit order and the similar orders issued on 2nd May 2011 and 30th June 2011 are not applicable but their products/activities were covered under the company specific cost audit orders issued prior to 31st March 2011 shall comply with the said company specific orders before their withdrawal becomes effective i.e. for all financial years prior to the financial year commencing on or after the 1st day of April, 2012.
7. If a company contravenes any provisions of these orders, the company and every officer thereof who is in default, including the persons referred to in sub-section (6) of section 209 of the Companies Act, 1956, shall be punishable as provided under sub-section (2) of section 642 read with sub-section (11) of section 233B of the Companies Act, 1956 (1 of 1956).
8. These orders are subject to clarifications issued vide Ministry of Corporate Affairs' General Circular Nos. 67/2011 and 68/2011, both dated November 30, 2011.

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this order on the MCA's website.
2. The President, Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata – 700016 with a request to bring this order to the general information of all Members in practice and of the corporate sector.



7.4.5.5

F. No. 52/26/CAB-2010
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhavan,
CGO Complex, Lodi Road,
New Delhi-110 003

Dated the 6th November, 2012

ORDER

Consequent upon notification of the Product or Activity Group classification published vide S.O. 1747(E) dated 7th August, 2012 and in supersession of the earlier Orders issued vide even number dated 2nd May 2011, 3rd May 2011, 30th June 2011 and 24th January 2012, the Central Government hereby makes the following Order.

2. In exercise of the powers conferred by sub-section (1) of section 233B of the Companies Act, 1956 (1 of 1956), the Central Government being of the opinion that it is necessary to do so, hereby directs that all companies to which the following Rules apply,

- (a) Cost Accounting Records (Telecommunication Industry) Rules 2011;
- (b) Cost Accounting Records (Petroleum Industry) Rules 2011;
- (c) Cost Accounting Records (Electricity Industry) Rules; 2011;
- (d) Cost Accounting Records (Sugar Industry) Rules; 2011;
- (e) Cost Accounting Records (Fertilizer Industry) Rules 2011;
- (f) Cost Accounting Records (Pharmaceutical Industry) Rules 2011;

and which are engaged in the production, processing, manufacturing or mining of the products/activities included in the said Rules or covered in the following product or activity groups [Table-I] and wherein the aggregate value of the net worth of the company as on the last date of the immediately preceding financial year exceeds five crore of rupees; or wherein the aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds twenty crore of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of January, 2013, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).

Table-I

<u>Sno.</u>	<u>Product or Activity Group Code</u>	<u>Name of the Product or Activity Group</u>	<u>Central Excise Tariff Act (CETA) Chapter Headings covered in the Product or Activity Group</u>
1	1020	Sugar and Sugar Products	1701 to 1702
2	1021	Molasses	1703
3	1027	Ethyl Alcohol and other Spirits	2207
4	2004	Petroleum Oils - Crude	2709
5	2005	Petroleum Oils - Refined	2710



Sno.	Product or Activity Group Code	Name of the Product or Activity Group	Central Excise Tariff Act (CETA) Chapter Headings covered in the Product or Activity Group
6	2006	Petroleum Gases and other Gaseous Hydrocarbons	2711
7	2007	Other Petroleum Products	2712 to 2715
8	2008	Electrical Energy	2716
9	2012	Bulk Drugs	2901 to 2942
10	2015	Pharmaceutical Products	3001 to 3006
11	2016	Animal or Vegetable Fertilizers	3101
12	2017	Mineral or Chemical Fertilizers - Nitrogenous	3102
13	2018	Mineral or Chemical Fertilizers - Phosphatic	3103
14	2019	Mineral or Chemical Fertilizers - Potassic	3104
15	2020	Mineral or Chemical Fertilizers - Others	3105
16	5101	Basic telephone services - wired and WLL	Not Applicable
17	5102	Cellular mobile telephone services - wireless and WLL	Not Applicable
18	5103	Internet and broadband services	Not Applicable
19	5104	National long distance services	Not Applicable
20	5105	International long distance services	Not Applicable
21	5106	Public mobile radio trunk services	Not Applicable
22	5107	Global mobile personal communication services	Not Applicable
23	5108	Passive telecom infrastructure and tower facilities	Not Applicable
24	5109	Cable landing stations	Not Applicable
25	5121	Broadcasting and related services	Not Applicable
26	5141	Other communication services not elsewhere specified	Not Applicable
27	5406	Transmission or distribution of electricity	Not Applicable

In exercise of the powers conferred by sub-section (1) of section 233B of the Companies Act, 1956 (1 of 1956), the Central Government being of the opinion that it is necessary to do so, hereby directs that all companies to which the Companies (Cost Accounting Records) Rules, 2011 apply, and which are engaged in the production, processing, manufacturing or mining of the products/activities included in the following product or activity groups [Table-II], and wherein the aggregate value of the turnover made by the company from sale or supply of all its products or activities during the immediately preceding financial year exceeds hundred crore of rupees; or wherein the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India, shall get its cost accounting records, in respect of each of its financial year commencing on or after the 1st day of January, 2013, audited by a cost auditor who shall be, either a cost accountant or a firm of cost accountants, holding valid certificate of practice under the provisions of Cost and Works Accountants Act, 1959 (23 of 1959).



Table-II

<u>Sno.</u>	<u>Product or Activity Group Code</u>	<u>Name of the Product or Activity Group</u>	<u>Central Excise Tariff Act (CETA) Chapter Headings covered in the Product or Activity Group</u>
1	1002	Meat and Meat Products	0201 to 0210; 0410; 1601 to 1603
2	1003	Marine Products	0301 to 0307; 1604 to 1605
3	1004	Milk and Milk Products	0401 to 0406
4	1005	Poultry and Related Products	0407 to 0408
5	1006	Bee Products	0409
6	1010	Vegetables	0701 to 0714
7	1011	Fruits and Nuts	0801 to 0814
8	1012	Coffee and Coffee Products (incl. 210111)	0901
9	1013	Tea and Tea Products (incl. 210120)	0902
10	1014	Spices - processed or unprocessed	0903 to 0910
11	1015	Cereals, Flour and Product of Cereals	1001 to 1008; 1101 to 1109
12	1016	Oil Seeds and Products of Oil Seeds	1201 to 1208
13	1017	Other Seeds and Plants	1209 to 1214
14	1018	Vegetable Saps or Products	1301 to 1302; 1401; 1404
15	1019	Animal or Vegetable Fats and Oils	1501 to 1518; 1520 to 1522
16	1022	Sugar Confectionery or Chocolates	1704; 1806
17	1023	Cocoa Products	1801 to 1805
18	1024	Prepared Food Products	1901 to 1905; 2001 to 2009; 2101 to 2106; 2501
19	1025	Mineral Water and Aerated Drinks	2201 to 2202
20	1026	Alcoholic Beverages	2203 to 2206; 2208
21	1028	Vinegar	2209
22	1029	Food Residues or Prepared Animal Feed	2301 to 2309
23	1030	Unmanufactured and Manufactured Tobacco	2401; 2403
24	1031	Tobacco Products	2402
25	2001	Mineral Products	2502 to 2522; 2524 to 2526; 2528 to 2530; 2601 to 2621
26	2002	Cement	2523
27	2003	Mineral Fuels (other than Petroleum)	2701 to 2708
28	2009	Chemical Elements	2801 to 2805
29	2010	Inorganic Chemicals and their Derivatives	2806 to 2837; 2839 to 2850; 2852 to 2853
30	2011	Organic Chemicals and their Derivatives (excluding Bulk Drugs)	2901 to 2942
31	2013	Albuminoidal Substances, Starches, Glues and Enzymes	3501 to 3507
32	2014	Miscellaneous Chemical Products	3801 to 3807; 3809 to 3825
33	2021	Tanning Substances	3201 to 3202
34	2022	Colours, Dyes and Pigments	3203 to 3207; 3212
35	2023	Paints and Varnishes	3208 to 3211
36	2024	Inks and Colours	3213; 3215
37	2025	Plasters and Fillers	3214



Sno.	Product or Activity Group Code	Name of the Product or Activity Group	Central Excise Tariff Act (CETA) Chapter Headings covered in the Product or Activity Group
38	2026	Essential Oils	3301 to 3302
39	2027	Personal Care Products	3303 to 3307; 8212; 9615 to 9616
40	2028	Soaps, Detergents and Cleaning Agents	3401 to 3402
41	2029	Lubricating Preparations	3403
42	2030	Waxes and Wax Products	3404 to 3407
43	2031	Explosives	3601 to 3603
44	2032	Fireworks, Matches and Combustible Materials	3604 to 3606
45	2033	Photographic and Cinematographic Goods	3701 to 3707
46	2034	Insecticides	3808
47	2035	Chemicals - Plastics and Polymers	3901 to 3915
48	2036	Articles of Plastics and Polymers	3916 to 3926
49	2037	Rubber and Rubber Products	4001 to 4010; 4014 to 4017
50	2038	Rubber Tyres and Tubes	4011 to 4013
51	3001	Raw Hides, Skins and Leather	4101 to 4107; 4112 to 4115
52	3002	Leather Products	4201 to 4203; 4205 to 4206
53	3004	Wood and Wood Products	4401 to 4421
54	3007	Pulp of Wood and other substances	4701 to 4707
55	3008	Newsprint	4801
56	3009	Paper and Paperboard	4802 to 4813
57	3010	Articles of Paper and Paperboard	4814; 4816 to 4823
58	3012	Silk	5001 to 5003
59	3013	Silk Yarn	5004 to 5006
60	3014	Silk Fabrics	5007
61	3015	Wool	5101 to 5105
62	3016	Wool Yarn	5106 to 5110
63	3017	Wool Fabrics	5111 to 5113
64	3018	Cotton	5201 to 5203
65	3019	Sewing Thread	5204; 5401
66	3020	Cotton Yarn	5205 to 5207
67	3021	Cotton Fabrics	5208 to 5212
68	3022	Other Textile Yarns or Fibers	5301 to 5303; 5305 to 5308
69	3023	Other Textile Fabrics	5309 to 5311
70	3024	Synthetic Yarns or Fibers	5402 to 5406; 5501 to 5511; 5601 to 5609
71	3025	Synthetic Fabrics	5407 to 5408; 5512 to 5516
72	3026	Carpets and textile floor coverings	5701 to 5705
73	3027	Other Textile Fabrics or Products	5801 to 5811; 5901 to 5911; 6301; 6305 to 6310
74	3028	Knitted or Crocheted Fabrics	6001 to 6006
75	3029	Apparel and Clothing	6101 to 6117; 6201 to 6217
76	3030	Furnishings	6302 to 6304
77	3031	Footwear and Parts thereof	6401 to 6406
78	3032	Headgear and Parts thereof	6501 to 6502; 6504 to 6507
79	3036	Articles of Stones, Plaster, Cement, Asbestos and Mica	6801 to 6815
80	3037	Ceramic Products	6901 to 6914



Sno.	Product or Activity Group Code	Name of the Product or Activity Group	Central Excise Tariff Act (CETA) Chapter Headings covered in the Product or Activity Group
81	3038	Glass and Glass Products	7001 to 7011; 7013 to 7020
82	3039	Pearls, Diamonds, Stones and Jewellery Articles	7101 to 7118
83	4001	Primary Ferrous Materials	7201 to 7205
84	4002	Iron and Non-Alloy Steel	7206 to 7217
85	4003	Stainless Steel	7218 to 7223
86	4004	Other Alloy or Non-Alloy Steel	7224 to 7229
87	4005	Steel Products	7301 to 7326
88	4006	Copper and Copper Products	7401 to 7413; 7415; 7418 to 7419
89	4007	Nickel and Nickel Products	7501 to 7508
90	4008	Aluminium and Aluminium Products	7601 to 7616
91	4009	Lead and Lead Products	7801 to 7802; 7804; 7806
92	4010	Zinc and Zinc Products	7901 to 7905; 7907
93	4011	Tin and Tin Products	8001 to 8003; 8007
94	4012	Other Base Metals and their Products	8101 to 8113; 8301 to 8311
95	4013	Hand Tools	8201 to 8211; 8213 to 8215
96	4014	Nuclear Reactors and Accessories	8401
97	4015	Boilers and Accessories	8402 to 8404
98	4016	Engines or Motors and parts thereof	8405 to 8412
99	4017	Machinery and Mechanical appliances	8413 to 8484; 8486 to 8487
100	4018	Electric Motors, Generators, Transformers and Parts thereof	8501 to 8505
101	4019	Batteries and Accumulators	8506 to 8507
102	4020	Electrical and Electronic Equipments or Appliances	8508 to 8519; 8521 to 8523; 8525 to 8548
103	4021	Railway Rolling Stock	8601 to 8606
104	4022	Parts of Railway Rolling Stock	8607
105	4023	Railway Track Fixtures and Fittings	8608
106	4024	Containers	8609
107	4025	Commercial Vehicles (3 or more wheels)	8701; 8704 to 8707; 8709; 8716
108	4026	Passenger Vehicles (4 or more wheels)	8702 to 8703
109	4027	Parts and Accessories of Vehicles	8708; 8714
110	4029	Passenger Vehicles (2 and 3 Wheelers) - Motorised	8711; 8713
111	4030	Passenger Vehicles (2 or 3 Wheelers) - Non Motorised	8712; 8713; 8715
112	4031	Non-powered Aircraft and parts thereof	8801; 8803
113	4032	Aircraft, Spacecraft and parts thereof	8802 to 8803; 8805
114	4033	Parachutes and Rotochutes	8804
115	4034	Ships and Boats	8901 to 8904
116	4035	Floating Structures	8905 to 8908
117	4036	Optical Equipments and parts thereof	9001 to 9005; 9012 to 9013; 9033



Sno.	Product or Activity Group Code	Name of the Product or Activity Group	Central Excise Tariff Act (CETA) Chapter Headings covered in the Product or Activity Group
118	4037	Photographic or Cinematographic Equipment and parts thereof	9006 to 9008; 9010 to 9011; 9033
119	4038	Measuring Instruments and parts thereof	9014 to 9017; 9023 to 9033
120	4039	Surgical or Medical Instrument and parts thereof	9018 to 9022; 9033
121	4040	Clocks or Watches and Parts thereof	9101 to 9114
122	4041	Musical Instruments and Parts thereof	9201 to 9202; 9205 to 9209
123	4043	Medical or Vehicular or other Furniture and Mattress and parts thereof	9401 to 9404
124	4044	Lights and Fittings	9405
125	4045	Prefabricated Buildings	9406
126	4046	Toys, games and sports Equipments	9503 to 9508
127	4047	Stationery Items	9608 to 9612
128	4048	Miscellaneous manufactured articles	9601 to 9607; 9613 to 9614; 9617 to 9618

Notes:

- (a) The Product or Activity Groups referred to in Table-I & II above shall include all products/activities included in the corresponding CETA Chapter Headings mentioned therein irrespective of whether Central Excise Duty is levied or not.
- (b) In respect of those Product or Activity Groups mentioned in Table-I above corresponding to which no CETA Chapter Headings are applicable, the product/activity groups shall include all such activities that fall under the meaning of the respective product/activity group and are covered by the related Cost Accounting Records Rules mentioned in para 2 above.
- (c) In case of all such activities that are covered under the Cost Accounting Records Rules mentioned in para 2 above that are also covered under cost audit but for which no Product or Activity Group has been indicated in Table-I above, companies would use the appropriate Product or Activity Group code as given in the notification issued vide S.O. 1747(E) dated 7th August, 2012.
- (d) Any company engaged in the production, processing or manufacturing of such inorganic or organic chemicals or any other substances that are primarily meant for pharmaceutical applications/use and are covered under the Cost Accounting Records (Pharmaceutical Industry) Rules 2011 shall be subject to cost audit as per the terms mentioned in para 2 above, irrespective of whether these are covered in the Product or Activity Groups mentioned in Table-II above.
- (e) Any company engaged in the storage, transportation or distribution of crude oil or gases or biogas or any or all types of petroleum products, and is covered by the Cost Accounting Records (Petroleum Industry) Rules, 2011 shall be subject to cost audit as per the terms mentioned in para 2 above.
- (f) Product Group No. 2008 – Electrical Energy mentioned in Table-I above would mean and be understood as generation of electrical energy or generation of electricity.
- (g) Product Group No. 1026 – Alcoholic Beverages mentioned in Table-II above would mean and include all products/activities covered in the Chapter Headings 2203 to 2208 of the Customs Tariff Act, 1975 (51 of 1975), excluding products of CETA Chapter Heading 2207 to the extent these are covered in the Cost Accounting Records (Sugar Industry) Rules, 2011.



- (h) *In case of any Product or Activity Group where multiple units of measurement are in use for the products or activities covered therein, then the relevant Product or Activity Group shall be repeated against each unit of measurement separately.*
- (i) *Wherever same CETA Chapter Headings have been shown against two or more Product or Activity Groups, the actual details shall be shown against the most appropriate Product or Activity Group.*
4. Every company to which these orders apply shall get its cost accounting records audited in respect of each of its financial year commencing on or after the 1st day of January 2013, irrespective of whether the same was covered or not, either under the company specific cost audit orders issued prior to 31st March 2011 or under the industry specific cost audit orders issued after 1st April 2011 till date.
 5. All companies that were earlier covered under industry specific orders dated 2nd May 2011 or 30th June 2011 or 24th January 2012 [subject to their meeting with the qualifying criteria mentioned therein] shall continue to comply with the earlier orders upto the financial year commencing prior to the 1st day of January 2013 and in continuum, with these orders in respect of each of its financial year commencing on or after the 1st day of January 2013.
 6. Every company to which these orders apply shall follow the revised procedure for appointment of cost auditor as laid down vide Ministry of Corporate Affairs' General Circular No. 15/2011 dated 11th April 2011 [as amended vide General Circular No. 36/2012 dated 6th November 2012].
 7. The audit shall be conducted in such manner as will enable the cost auditor to prepare the report in accordance with the Companies (Cost Audit Report) Rules, 2011 read with the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2011, both as amended. The report of the cost auditor shall be forwarded to the Central Government, either by himself or by the lead cost auditor, in the prescribed XBRL format within the time stipulated under the Companies (Cost Audit Report) Rules, 2011.
 8. If a company contravenes any provisions of these orders, the company and every officer thereof who is found to be in default, including the persons referred to in sub-section (6) of section 209 of the Companies Act, 1956, shall be punishable as per provisions under sub-section (2) of section 642 read with sub-section (11) of section 233B of the Companies Act, 1956 (1 of 1956).
 9. These orders are subject to various clarifications issued by the Ministry of Corporate Affairs on the subject of cost audit; to the extent these are relevant and applicable. Any specific exemptions granted earlier to certain class of activities shall remain in force till further orders.

(B.B.Goyal)
Adviser (Cost)

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this order on the MCA's website.
2. The President, Institute of Cost Accountants of India, 12, Sudder Street, Kolkata – 700016 with a request to bring this order to the general information of all Members in practice and of the corporate sector.



7.5 Role of Cost Accountants in cost audit

- (i) The Member of the Institute who is in full time practice and his membership dues are not arrears can be appointed as Cost Auditor by a Company for the products/ activities covered under the relevant cost audit orders;

Before acceptance of appointment as cost auditor of a company, a Cost Accountant has to give certificate declaring that he or firm of cost accountants where he is a partner is free from any disqualifications as specified under Section 233B (5) read with Section 224 and sub-section (3) or sub-section (4) of Section 226 of the Companies Act, 1956.

As per the requirement of Companies (Cost Audit Report) Rules 2011, he is also required to give the certification to the Company appointing him as cost auditor that he/ his firm of Cost Accountants is/ are independent and at arm's length relationship with your Company.

- (ii) Preparation and creation of Instance Document of Cost Report following Costing Taxonomy and Business Rules as published by the Ministry of Corporate Affairs;
- (iii) E-filing of Cost Report in Form I-XBRL through MCA21 portal.



7.6 Cost Audit- Co-operative Sector in Maharashtra [Extract from the amended Maharashtra Co-operative Societies Act, 1960- Section 81 (2A) & (2B)]

(2A) Where, in the opinion of the State Government, it is necessary in the public interest to do so in relation to any society or class of societies for ensuring management thereof in accordance with sound business principles or prudent commercial practices, the State Government may, by order, direct that cost audit or performance audit or both, of such society or class of societies, as may be specified in the order, shall be conducted.

(2B) Where any order is issued under sub-section (2A), Registrar shall cause such audit of such society or class of societies to be conducted by a cost accountant who is member of the Institute of Cost and Works Accountants of India constituted under section 3 of the Cost and Works Accountants Act, 1959.

7.7 Cost Audit- Co-operative Sector in West Bengal [Extract from the amended West Bengal Co-operative Societies Act, 1983- Section 90]

Section 90. Audit of Accounts of Co-operative Society:

(1) The accounts of every co-operative society shall, at least once in each co-operative year, be audited at the expense of the co-operative society by the Director of Audit or by a person appointed or authorised by the Director of Audit to act as audit officer by general or special order in writing in this behalf from among the Officers under his administrative control or from the panel of auditors, which shall include among others, members of the Institute of Cost and Works Accountants Act, 1959 (hereinafter referred to in this section as the Institute), prepared by him for this purpose.

(1A) Where in the opinion of the State Government it is necessary in the public interest to do so in relation to any society or class of societies for ensuring management thereof in accordance with sound business principles or prudent commercial practice, the State Government may by order, which shall be issued at least one month prior to the closing date of a co-operative year direct that the cost audit or performance audit or both of such society or *class* of societies as may be specified in the order shall be conducted.

(1B) Where any order is issued under sub-section (1A) the Director of Audit shall appoint under clause

(a) of sub-section 2 a member of the Institute from the panel *of* auditors referred to in sub-section(1) to be the audit officer or audit officers to conduct the audit of such society or class of societies and such audit officer or audit officers shall complete the audit within the period specified in sub-section (2) and shall submit the report in accordance with the provisions of sub-section (1) of Section 91.

(2) (a) The Director of Audit shall draw up audit programme (including appointment of audit officers, issue of appointment letters to audit officers and intimation of such appointment to the co-operative society) not later than [the closing date of each co-operative year].

(b) An audit officer appointed under clause (a) shall complete the audit within nine months from the losing date of the cooperative year concerned.

(c) If the audit officer appointed under clause (a) does not take up audit within three months from the date of his appointment, his appointment shall stand cancelled and the Director of Audit shall appoint another audit officer in his place. (Provided that nothing in this clause shall apply to the officers-of the Directorate of Co-operative Audit of the State Government.

(3) Every co-operative society shall send (to the Director of Audit and to the Registrar within three months from the closing-date of each co-operative year an annual return Consisting of a cash account, a profit and *loss* account, a balance-sheet and a trading account where applicable) in the prescribed form.

(4) The [Director of Audit] shall not appoint the same audit officer to audit the accounts of the same co-operative society for 1 [more than two successive co-operative year].



Provided that when the audit of the accounts of any cooperative society is in arrear for two years or more, an audit officer may be entrusted by the Registrar to audit the accounts of the co-operative society for all such cooperative years.

(5) If, at the time of audit, the audit officer finds that the accounts of the co-operative society are not complete, he shall report the matter to the [Director of Audit] or, with his approval, the audit officer may cause the accounts to be completed at the expense of the co-operative society.

(6) An audit under sub-section (1) shall include examination of overdue debts (if any), verification of cash balance and securities and valuation of assets and liabilities of a co-operative society and such other matters as may be prescribed.

(7) The audited statement of accounts of a co-operative society together with modifications, if any, made therein by the [Director of Audit] shall be final and binding the co-operative society.

(8) An audit under sub-section (1) shall include annual audit, running audit and re audit.

Explanation

(i) "Annual audit" shall mean audit of accounts of a co-operative society for each co-operative year. -

(ii) "Running audit" shall mean audit of the account of a co-operative society within a co-operative year on monthly or quarterly basis as the [Director of Auditor may decide].

(iii) "Re-audit" shall mean audit of the accounts of a co-operative society for checking up the quality or standard of any previous audit. The co-operative society shall pay for every annual audit, running audit or re-audit such audit fee in such manner as may be prescribed.

(9) The audit officers appointed from the panel of auditors shall be paid by the operative society concerned such audit fee as may be prescribed.

7.8 Cost Audit- Co-operative Sugar Factories Ministry of Food & Consumer Affairs

**Government of India
Ministry of Food & Consumer Affairs
Department of Sugar & Edible Oil
Directorate of Sugar
Krishi Bhawan, New Delhi**

Dated 12th February, 1998

The sugar factories of joint stock companies are covered by the concept of efficiency/cost audit under Section 209(1)(d) and 233B of the Companies Act, 1956. The Bureau of Industrial Costs and Prices (BICP) has also published a report in October 1996 on the technical norms for estimation of conversion cost for sugar industry.

With a view to bring overall improvement in the performance efficiency, productivity and profitability of the sugar industry, it is important that records and reports relevant to the cost audit under these provisions and also introduced by the sugar factories outside the purview of the Companies Act.

(R.P. Singhal)
Chief Director (Sugar)

7.7 Cost Audit- Co-operative Sugar Factories in Maharashtra

English translation of the Order issued by the Commissioner of Sugar, Maharashtra State, Pune for Cost Accountants and Cost Audit of Co-operative Sugar Factories in Maharashtra



Outward number SC/Audit/R-5/Cost Accounts/40 15/2003
Sugar Commissionerate, Maharashtra State Sugar Complex,
Shivaji Nagar, Pune-5

Dated: 6th November 2003

Whereas the Cooperative Sugar factories in Maharashtra are registered under Maharashtra Cooperative Society Rules 1960, whereas the Registrar is empowered under Section 81 (2A) and 81 (2B) of the Maharashtra Societies Act to direct the Cooperative Sugar Factories to maintain Cost Accounts and get the same audited.

Whereas it is mandatory for the private sugar factories to maintain cost accounts as prescribed by the Cost Accounting Records Rules 1997 [As amended] and get them audited as per the provisions of Companies Act, 1956.

Whereas a similar provision has been made in section 81 (2A & 2B) of the Maharashtra Cooperative Societies Act, 1960. In the existing situation the running cooperative sugar factories in Maharashtra having a crushing capacity of 1250 MT per day and above prepare cost sheets in a rough manner after the conclusion of crushing season. Such cost sheets are prepared in the factories after the completion of all financial transactions. If the running cooperatives sugar factories would have taken timely care and prepare the cost sheets on monthly basis, they would have known as to how to reduce cost of production of sugar or how to make improvement in the same. Ignoring the cost of production of sugar one of the main reason behind the sickness of 56 running cooperative sugar factories in the year 2001-02.

Whereas it has been observed while manufacturing the sugar in the cooperative sugar factories in Maharashtra and computing its cost of production that there is variation of Rs. 1000/- to Rs. 1200/- per MT on an average in the cost of production of sugar in case of cooperative sugar factories with same crushing capacities (1250 TCD/2500 TCD). Our remedy on this is to maintain cost accounts on the factory levels. Which will enable control over the raising cost of production.

Whereas a Committee was appointed by this Office for the maintenance of cost accounts in the factories and conduct an audit of the same.

The Committee has submitted its report along with its recommendation to this office and it has been accepted. Important recommendations are as mentioned below:

1. Maintaining of Cost Accounts and conducting its audit has been made applicable from the cooperative year 2003-04 and onwards. This means that, that the cost accounts pertaining to the year 2002-03 will be audited in the cooperative year 2003-04.
2. Officers and employees of the cooperative sugar factories will trained in this area.
3. The professional fees for conducting cost audit will have been paid by the cooperative sugar factories as per the guidelines given by ICWAI.
4. Cost accountants will have to be appointed as per section 81 (2B) of the Maharashtra Cooperative Society Rules and he should be from the practising members list of ICWAI.

For necessary guidelines for point no. 2-training, no. 3-professional fees and no. 4- appointment of cost accountants, the running cooperative sugar factories should contact the following institutes.

Address:

The Institute of Cost and Works Accountants of India
Pune Chapter of Cost Accountants
Luxmi Nagar, Pune-41 1009
Phone no. 4447976, 543497 (R)
Mr. N.M. Vechalekar, Chairman



Whereas the Government of Maharashtra has approved to take necessary action regarding maintenance of cost accounts and conducting a cost audit of the same as well as conducting performance audit.

Whereas, I am convinced that there should be effective and proper functioning in the entire financial position and management of the cooperative sugar factories. I am ordering as order mentioned below.

ORDER

I, Mr. Vijaykumar Commissioner of Sugar and Additional Registrar of Cooperative Societies Maharashtra State, Pune in accordance with the authority given to me as per section 81 [2A] & section 81 [2B] of the Maharashtra Cooperative Societies Act 1960 order that the running cooperative sugar factories in Maharashtra should maintain cost accounts for the year 2003-03 and conduct the audit of the same in the future. This will be applicable and mandatory for them.

Sd/-
Vijay kumar,
Commissioner of Sugar,
Maharashtra State, Pune.



Chapter-8 Internal Audit

In the recent past there are many examples of corporate failures and major of them in India Satyam Computers episode, the expectations from Internal Audit are changing, and there is a clear shift in how organizations view their corporate governance and control environment. Stakeholders and audit committees are taking keen interest in the effectiveness of Risk Management and Control Assurance areas in their organizations. Stakeholders are increasingly demanding a higher degree of transparency and ethical behaviour. Consequently, organizations are introducing risk-based internal audit plans, which are designed to focus on critical areas. Appropriate risk management systems enable organizations to take advantage of opportunities while effectively managing the accompanying business risks. Managing loss potential, while consciously taking acceptable risks directly enables the management to provide fair returns on investment.

8.1 Internal Audit under Companies Act

Lok Sabha has passed Companies Bill 2012 on 18th December 2012. The bill is yet to be passed by the Rajya Sabha. Clause 138 to Companies Bill 2012 provides inter-alia the internal audit by cost accountants, which is reproduced below:

“138. (1) Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

(2) The Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board”.

8.2 Internal Audit-SEBI

Stock Market Regulator, Securities and Exchange Board of India (SEBI) took many initiatives to protect the interest of investors. SEBI in view of bringing more transparency and efficiency in the governance of listed entities asked the members to carry out complete internal audit on a half yearly basis vide its circular dated 17th March 2010 and subsequently some of listing conditions were amended vide its Circular no. CIR/CFD/1/2010 dated April 05, 2010.

Sub: Master Circular on Oversight of Members (Stock Brokers/Trading Members/Clearing Members of any Segment of Stock Exchanges and Clearing Corporations

This master circular consolidates and updates the requirements/obligations with regard to oversight of members (Inspection by Stock Exchanges/Clearing Corporations, Internal Audit and Default) prescribed by the following circulars:

- A. Circular no. SMD(B)/104/22775/93 dated October 29, 1993
- B. Circular no. SMD/MDP/CIR/043/96 dated August 5, 1996
- C. Circular no. SMD/Policy/Cir-24/97 dated September 26, 1997
- D. Circular no. SMDRP/POLICY/Cir-45/200 1 dated September 17, 2001
- E. Circular no. SEBI/SMD/DBA-1/CIR-27/2003 dated June 25, 2003
- F. Circular no. MIRSD/DPSIII/Cir-26/08 dated August 22, 2008, and
- G. Circular no. MRD/DMS/Cir-29/2008 dated October 21, 2008

8.2.1 The relevant extract of Circular no. SEBI/MIRSD/Master Cir-04/2010 dated March 17, 2010 issued by SEBI for internal audit of their members Stock Brokers/Trading Members/Clearing Members of any Segment of Stock Exchanges and Clearing Corporations) is given below:

The Members (Stock Brokers/Trading Members/Clearing Members of any Segment of Stock Exchanges and



Clearing Corporations) shall carry out complete internal audit on a half yearly basis by an independent qualified Chartered Accountant, Company Secretary **or Cost and Management Accountant who is in practice** and does not have any conflict of interest.

- (i) The audit shall cover, inter alia,
- (ii) the existence, scope and efficiency of the internal control system,
- (iii) compliance with the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act 1956, SEBI (Intermediaries) Regulations, 2008, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992, circulars issued by SEBI from time to time, Bye Laws and Regulations and circulars issued by the Stock Exchange /Clearing Corporation,
- (iv) data security and insurance in respect of operations, and
- (v) efficacy of the investor grievance redressal mechanism and discharge of various obligations towards clients.

3. The internal auditor shall submit the audit report to the member, who shall place it before its Board of Directors/Proprietor/Partners and shall forward the same along with para-wise comments to the respective stock exchange/clearing corporation within three months from the end of the half year period.

4. The Stock Exchange/Clearing Corporation shall analyze the audit reports so received and take appropriate follow up action.

5. The Stock Exchange/Clearing Corporation shall initiate appropriate actions – remedial, penal or disciplinary - against the members where deficiencies are noticed in audit reports or where audit report has not been received, and inform the details of action taken to SEBI, within six months from the end of the half year period.

8.2.2 The relevant extract of Circular no. SEBI/MIRSD/CRA/Cir-01/2010 dated January 06, 2010 issued by SEBI for internal audit of Credit Rating Agencies (CRAs) is given below:

**SEBI/MIRSD/CRA/Cir-01/2010
January 06, 2010**

To

All Credit Rating Agencies Registered with SEBI

Dear Sirs,

Sub: Internal Audit for Credit Rating Agencies (CRAs)

It has been decided in consultation with the credit rating agencies (CRAs) that the audit envisaged under Regulation 22 of the SEBI (Credit Rating Regulations), 1999 shall include an internal audit to be undertaken in the following manner:

- a. It shall be conducted on a half yearly basis.
- b. It shall be conducted by Chartered Accountants, Company Secretaries or Cost and Management Accountants who are in practice and who do not have any conflict of interest with the CRA.
- c. It shall cover all aspects of CRA operations and procedures, including investor grievance redressal mechanism, compliance with the requirements stipulated in the SEBI Act, Rules and Regulations made thereunder, and guidelines issued by SEBI from time to time.



- d. The report shall state the methodology adopted, deficiencies observed, and consideration of response of the management on the deficiencies.
- e. The report shall include a summary of operations and of the audit, covering the size of operations, number of transactions audited and the number of instances where violations / deviations were observed while making observations on the compliance of any regulatory requirement.
- f. The report shall comment on the adequacy of systems adopted by the CRA for compliance with the requirements of regulations and guidelines issued by SEBI and investor grievance redressal.

2. The time schedule for the internal audit shall be as under:

- a. The CRA shall receive the report of the internal audit within two months from the end of the half-year.
- b. The Board of Directors of the CRA shall consider the report and take steps to rectify the deficiencies, if any, and the CRA shall send an Action Taken Report to SEBI within next two months.

8.3 Internal Audit-NSDL

National Securities Depository Ltd.

Participant Interface

Circular

Circular No.: NSDL/POLICY/2009/0105 Date: November 10, 2009

Subject: Internal and Concurrent Audit for depository operations.

Participants are aware that as per Bye Law 10.3, each Participant is required to have its depository operations audited by a qualified Chartered Accountant or a Company Secretary or **a Cost and Management Accountant holding a Certificate of Practice.** Such audit should be conducted atleast twice a year and a copy of the report should be submitted to NSDL.

Attention of all Participants is invited to Circular no. NSDL/POLICY/2008/0077 dated November 3, 2008 regarding guidelines related to scope of audit and format of the audit report. Since then, there have been certain additions / modifications in the guidelines.

In view of the above and findings during review of audit reports submitted by Participants, various requirements related to internal and concurrent audit have been consolidated for the benefit of Participants and their auditors. The consolidated guidelines are enclosed as **Annexure 1** (a MS – Excel file containing two sheets). Participants are advised to take note of the following:

1. **Objectives of audit** Following are the broad objectives of internal audit of depository operations:
 - (i) To assure the management that the operations of the Participant are in compliance with the requirements of The Depositories Act, 1996, SEBI (Depositories & Participants) Regulations, 1996, NSDL Bye Laws and Business Rules, its agreement with the Client and NSDL and various circulars issued by NSDL from time to time.
 - (ii) To assure management that the DPM is managed and maintained in a manner that there is no threat to business continuity, integrity of data processing system is maintained at all times and methods are put in place to ensure that records are not lost, destroyed or tampered with or in the event of loss or destruction of data, sufficient backup of records is available at all times.
 - (iii) To assure management that the capacity of computer system, staff strength and internal procedures are commensurate with the level of business activity.



- (iv) To assure management that the business operations of the Participant are conducted in a manner that the foreseeable risks are addressed with appropriate internal control mechanism.
- (v) To assure management that the business operations of the Participant are conducted as per the operations manual and in strict adherence with NSDL prescribed procedures.
2. Audit program should cover all facets of the depository operations. Auditor may expand the scope of audit / add more audit points to achieve the objectives listed above. Participants are advised to extend full co-operation to their auditors to enable them to perform an effective audit. All circulars/ guidelines issued by NSDL / SEBI from time to time and other information / records desired by the auditors should be made available to them within a reasonable time.
3. Participants should submit the audit report to NSDL as per schedule given below:

Audit Period	Due date for submission of report to NSDL
April 1 to September 30	November 15
October 1 to March 31	May 15

4. New Participants which are operational for less than three months in an audit period can submit audit report for that audit period along with the audit report for next audit period. For example, if a Participant is made operational by NSDL on July 2, 2009, then it can submit single audit report for the period July 2, 2009 – March 31, 2010.
6. As prescribed vide Circular no. NSDL/POLICY/2006/0021 dated June 24, 2006, activities related to account opening, control and verification of Delivery Instruction Slips (DIS) are subject to concurrent audit which must be completed by the next working day. If such audit cannot be completed by next working day due to large volume, it must be completed within a week. The guidelines provided in Annexure 1 in respect of these activities are applicable for concurrent audit as well.
7. Participants can appoint same auditor for concurrent and internal audit. If both audits are performed by the same auditor, then a consolidated report must be submitted instead of two separate reports. If two audits are being performed by different auditors, then two separate reports should be submitted.
8. The guidelines provided in this circular are applicable for audit period October 1, 2009 to March 31, 2010 and onwards. Audit report for period April 1, 2009 to – September 30, 2009 may be submitted as per existing guidelines (i.e. guidelines provided in Circular no. NSDL/POLICY/2008/0077 dated November 3, 2008) or as per the new guidelines provided in this circular.
9. Internal and/or concurrent audit reports which are not as per guidelines will be treated as non submission of the report. NSDL reserves the right to advise a Participant to change its auditor if quality of the report is not satisfactory or if the audit is not carried out as per the guidelines.
10. A training program will be conducted for internal / concurrent auditors by NSDL shortly. Schedule and details of the program will be communicated to the Participants. Participants may request their auditors to take benefit of the training program.
11. Participants may encourage their auditors to acquire certification under NCFM – NSDL Depository Operations module.

For and on behalf of
National Securities Depository Limited

Samar Banwat
Vice President

Note: Annexure-I and other details can be viewed or downloaded from NSDL Website at:
<https://nsdl.co.in/business/circular.php>



National Securities Depository Ltd.

Participant Interface

Circular

Circular No.: NSDL/POLICY/2011/0031

Date: April 8, 2011

Subject: Internal and Concurrent Audit for depository operations.

Participants are aware that as per Bye Law 10.3, each Participant is required to have its depository operations audited by a qualified Chartered Accountant or a Company Secretary or a **Cost and Management Accountant** holding a Certificate of Practice. Such audit should be conducted atleast twice a year and a copy of the report should be submitted to NSDL.

Participants are advised to refer to circular no. NSDL/POLICY/2009/0105 dated November 10, 2009 in which guidelines related to scope of the audit and format of the audit report were provided. Since then, there were certain audit areas which required further clarity and specific issues related to depository operations, which required scope of the internal / concurrent audit to be enhanced, having an impact on internal / concurrent audit. Further, it has now been decided to include the following audit areas to be covered under the concurrent audit on 100% basis:

- i) Account Closure initiated by the Participant (i.e. not at the request of the client)
- ii) Investor grievances received by the Participant
- iii) Power of Attorney modifications
- iv) Providing transaction statements to clients (process level)

Accordingly, the audit report format is changed and enclosed as Annexure 1 in track change mode and as Annexure 2 (without highlighting the changes). The broad objectives for the internal / concurrent audit remain unchanged and are enclosed as Annexure 3. Participants are advised to take note of the following:

1. Audit program should cover all facets of the depository operations. Auditor may expand the scope of audit / add more audit points to achieve the objectives listed above. Participants are advised to extend full co-operation to their auditors to enable them to perform an effective audit. All circulars / guidelines issued by NSDL / SEBI from time to time and other information / records desired by the auditors should be made available to them within a reasonable time.
2. Participants should forward the audit report as per schedule given below to NSDL –

Audit Period	Due date for submission of report to NSDL
April 1 to September 30	November 15
October 1 to March 31	May 15

3. The Participants which remain operational for less than three months in an audit period can submit audit report for that audit period alongwith the audit report for next audit period. For example, if a Participant is made operational by NSDL on January 1, 2011, then it can submit first audit report for period January 1, 2011 – September 30, 2011.

4. Concurrent audit should be done by the next working day. If audit cannot be completed by next working day due to large volume, it must be completed within a week.

5. Participants may appoint same auditor for concurrent and internal audit. If both audits are done by same auditor, then a consolidated report must be submitted instead of two separate reports. If two audits are being



done by different auditor, then two separate reports must be submitted.

6. Participants are advised to note that the guidelines provided in this circular are applicable for audit period April 1, 2011 to September 30, 2011 and onwards.

7. Participants are hereby informed that internal and/or concurrent audit reports which are not as per guidelines will be treated as non submission of the report. NSDL reserves the right to advise a Participant to change its auditor if quality of the report is not satisfactory or the audit is not carried out as per guidelines.

8. Participants may encourage their auditors to acquire certification under NCFM – NSDL Depository Operations module.

For and on behalf of
National Securities Depository Limited

Samar Banwat
Senior Vice President

Encl: a/a

Note: Annexure-I, Annexure-II and other details can be viewed or downloaded from NSDL Website at: <https://nsdl.co.in/business/circular.php>

8.4 Internal Audit: [Extract from Companies (Auditor's Report) Order (CARO), 2003]

The provisions for internal audit contained in 'Manufacturing and Other Companies (Auditor's Report) Order 1988 (MAOCARO)' has been superseded by 'Companies (Auditor's Report) Order (CARO)-2003' vide G.S.R. 480(E) dated 12th June 2003. The relevant para of CARO 2003 is reproduced below:

4. Matters to be included in the auditor's report.

(vii) in the case of listed companies and/or other companies having a paid-up capital and reserves exceeding Rs.50 lakhs as at the commencement of the financial year concerned, or having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, whether the company has an internal audit system commensurate with its size and nature of its business;

8.5 Internal Audit of Cost Records

8.5.1 The Companies (Cost Audit Report) Rules 2011 issued by Ministry of Corporate Affairs vide G.S.R. 430(E) dated 3rd June 2011 vide Form II Cost Audit Report point (vi) requires from a Cost Auditor to certify that the Company audited by him has the system of internal audit of cost records commensurate to its nature and size of its business. The extract of said clause is given below:

(vi) "In my/our opinion, company has/has not adequate system of internal audit of cost records which to my/our opinion is commensurate to its nature and size of its business".

8.5.2 Master Circular No. 2/2011 dated 11th November 2011 issued by Ministry of Corporate Affairs vide clause (a) prescribes the following:

(a) "As per provisions of the Cost Audit Report Rules that are in force from time-to-time, a cost auditor is required to comment on the scope and performance of internal audit of cost records. Hence it would tend to mitigate against the proper and dispassionate discharge of his duties if he was also the internal auditor of the company for the same period for which he is conducting the cost audit. In view of this, the cost auditor cannot also be the internal auditor of a company for the period for which he is conducting the cost



audit, irrespective of the fact whether he is conducting cost audit for one or all of the company's products/activities".

8.5.3 General Circular No. 68/2011 dated 30th November 2011 issued by Ministry of Corporate Affairs vide clause (e) prescribes the following:

(e) "That in the General Circular no. 15/2011 dated 11th April 2011 regarding appointment of cost auditors by companies, it was provided that the Audit Committee shall obtain a certificate from the cost auditor certifying his/its independence and 'arm's length relationship' with the company. In order that 'arm's length relationship' is in fact ensured, it may be noted that cost auditor(s) appointed under section 233B(2) of the Companies Act, 1956 [whether for one or all of the company's products covered under cost audit], **shall not provide any other services to the company relating to** (i) design and implementation of cost accounting system; or (ii) the maintenance of cost accounting records, or (iii) **act as internal auditor**, whether acting individually, or through the same firm or through other group firms where he or any partner has any common interest. It is however clarified that the cost auditors are allowed to certify the compliance report or provide any other services as may be assigned by the company, but which shall not include any of the services mentioned above".

8.5.4 Clarification on Internal Audit

A. Circular Letter No. F.1/1/82/CL-V: No. 23/44/79-CLII dated 20.1.1983

1. As you are aware, the Department of Company Affairs issued a Circular No. 1/1/76 CL-V dated 27.8.1976 clarifying therein that a Statutory Auditor of a company cannot be its internal Auditor. A copy of the said circular is enclosed for ready reference.
2. Similarly, a question has now been raised whether a cost auditor of a Company can also be its internal auditor which has been carefully examined in this Department. Since the Cost Auditor is required to comment on the scope and performance of internal audit as per the provisions of the Cost Audit (Report) Rules, 1968, it would tend to militate against proper and dispassionate discharge of the duties of the cost auditor if he was also the internal auditors of the company for the same period for which he is conducting the cost audit. The Department is therefore, of the view that the Cost Auditor should not also be the internal auditor of a company for the period for which he is conducting the cost audit.
3. I am to request that the contents of the circular may be brought to the notice of your constituents for their inform and guidance.

B. Clarification by Ministry of Corporate Affairs regarding participation of Cost Auditor/Internal Auditor in Audit Committee

General Circular No.2/2003

No. 5/21/2001-C.L.V

52/323/CAB-87

Government of India

Ministry of Finance and Company Affairs

Department of Company Affairs

Shastri Bhavan, New Delhi.

Dated the 9th of January, 2003

To

All Regional Directors

All Registrar of Companies

Sub: Participation of Cost Auditor in the meetings of Audit Committee to be constituted under



Section 292A of the Companies Act, 1956 - clarification reg.

Sir,

The Department has examined whether the cost auditor appointed u/s 233B of the Companies Act, 1956, could or should be invited to the audit committee constituted in compliance with Section 292A. It was clarified vide Circular No.6/2001 dated 20.8.2001 that the cost auditor, wherever appointed, shall also attend and participate at the meetings of the audit committee, but shall not have the right to vote.

It has been mentioned in the circular that the presence of cost auditor in such committees will ensure overall cost management besides proper pricing of inter-unit/inter-company transfer and valuation of inventories. The intent of the Department was to impress upon the need for the presence of 'cost auditor' in audit committee meetings, as an auditor, but not as a member. The legislative intention is to constitute audit committees only from directors. As such the usage of these phrases should not be construed to mean that cost auditors are to be members of audit committees

Sub-section 5 of section 292A provides that the auditors, internal auditors, if any, and the directors, in-charge of finance, shall attend and participate at the meetings of audit committees without voting rights. The intention of providing for attending the meetings by auditors and internal auditors is to give an opportunity to the audit committee to hear their views. The cost auditor in his capacity as internal auditor can similarly participate in the meetings of the audit committee.

However, it has come to the notice of the Department that an interpretation is being made that cost auditor can be a member of audit committee. It is reiterated that the cost auditor cannot become a member of audit committee and wherever appointed, can only attend and participate in the meeting without voting rights. Any other interpretation will be outside the purview of section 292A and incorrect.

(E. Selvaraj) Joint Director (T)

8.6 Internal Audit of state Public Sector Undertakings, Government of Punjab

F. No. 10/64/92-CL-V.

GOVERNMENT OF PUNJAB
DEPARTMENT OF FINANCE
(Finance Budget-II Branch)

Sub: Appointment of Cost Accountants as Internal Auditors in the
State Government Undertakings on Contract basis.

At present the Internal Audit of Public Sector Undertakings etc. is being conducted either by its own team of officers or by outside consultants of chartered accountants. The Chairman, Ludhiana Chapter of Cost Accounts, Ludhiana has requested the State Government that practicing Cost Accounts may also be considered for appointment as Internal Auditors in the State Government Undertakings as the Members of the Cost Accounting profession can play a very useful role in internal audit by enlarging its scope through input output analysis, variance analysis, wastage control, productivity checks, etc.

2. The State Government have examined the above request of the Ludhiana Chap-of Cost Accountants and also the need felt by the managements of many of State Government Undertakings to engage Cost and Works Accountants for up-keep, maintenance of Cost records, pricing pattern, inventory and material management in the Public Sector Undertakings. After careful consideration, it has been decided that henceforth the State Public Sector Undertakings can engage Cost and Works Accountants as consultants on contract basis for internal audit work. It has further been decided that a Committee consisting of Secretary, Evaluation



(Chairman), Income Tax Adviser to the Government of Punjab and Director, Evaluation, Punjab would guide the Public Sector Undertakings in:

- (a) Identifying the specific tasks to be assigned to the Cost Accountants; and
- (b) Finalizing their terms of appointment.

3. The Public Sector Undertakings should henceforth submit their proposals to this Committee.

SPECIAL SECRETARY, FINANCE

(The Management Accountant, April 1993 P 303)

8.7 Internal Audit of State Public Sector Enterprises in Tamil Nadu

FINANCE (BPE) DEPARTMENT

G.O.MS. NO.705

Date: 3.9.1992

Read:

From the ICWA of India-SIRC Letter No. SIRC/PDF/07/92 dated 16.7.92

ORDER

The Internal audit of Public Sector Enterprises is being conducted at present either by its own team of officers or by outside consultants of chartered accountants. The Southern India Regional Council of Institute of Cost and Works Accountants of India has represented to Government that practicing Cost Accountants may also be considered for appointment as Internal Auditors in State Government Undertakings. It has been stated that the members of the Cost Accounting profession can play a very useful role in internal audit of State Government Undertakings by enlarging *its* scope through input output analysis, variance analysis wastage control, productivity checks etc.

2. The Government has examined the above request of the Southern India Regional Council of Institute of Cost and Works Accountants of India. They consider that in as much as there is no requirement either statutory or otherwise that internal audit should be done by Chartered Accountant and in terms of competence also Cost Accountants are considered to be equally competent to carry out the process of internal audit. Cost Accountant can also be appointed as Internal Auditors of State Public Sector Enterprises. The Government accordingly directs that hereafter State Public Sector Enterprises may consider appointment of practicing Cost Accountants also as Internal Auditors to carry out the functions of internal audit of State Public Sector Enterprises, along with practicing Chartered Accountants.

3. This G.O. may be placed before the Board of Directors of the Corporation in the next meeting. The receipt of this G.O. may be acknowledged.

(BY ORDER OF THE GOVERNOR')

N. NARAYANAN

SECRETARY TO GOVERNMENT

(The Management Accountant, November 1992), P. 867

8.8 Internal Audit of State level Public Enterprise of Andhra Pradesh

GOVERNMENT OF ANDHRA PRADESH



Abstract

Public Enterprises-Appointment of Cost Accountants as Internal Auditors in State Level Public Enterprises of A.P. Certain Instructions issued. **GENERALADMINISTRATION (PE II) DEPARTMENT**

G.O. Ms. No. 552

Date: 20-10-1993

Read:

From Chairman, Institute of Cost & Works Accountants of India,
Southern India Regional Council Madras Letter dt. 19-9-92.

ORDER

In the letter read above the Chairman, Southern India Regional Council of ICWAI while pointing out that the internal audit of State Government Undertakings in the manufacturing and Service Sector is a very important area where the members of their Institute can usefully play a role in enhancing the performance of State Level Public Enterprises, has requested the Government that practicing Cost Accountants may also be considered for appointment as Internal Auditors in State Government Undertakings in both manufacturing and Service sector.

2. Government have examined the above request of the Southern India Regional Council of Institute of Cost & Works Accountants of India, and considered that in as much as there is no requirement either statutory or otherwise that internal audit should be done by only Chartered Accountants and since in terms of competent Cost Accountants are also equally competent to carry out the process of internal audit Govt., therefore consider the Cost Accountants can also be appointed as Internal Auditors of State Public Sector Enterprises.

3. The Government accordingly direct that hereafter State Public Sector Enterprises may consider appointment of practicing Cost Accountants also as Internal Auditors to carry out the functions of Internal Audit of State Public Sector Enterprises, along with practising Chartered Accountants as and when the Corporations need their services, duly obtaining approval from the Board of Directors as well as from the concerned Administrative Departments.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

V.K. SRINIVASAN,

COMMISSIONER OF PUBLIC ENTERPRISES & E.O. PRINCIPAL SECRETARY

(The Management Accountant March 1994- page-205)

8.9 Internal Audit of State Public Sector Enterprises of Orissa

Government of Orissa Public Enterprises Department

-O-

OFFICE MEMORANDUM

No. Cor-VII-34/93,73PE.,

Bhubaneswar dated
the 10th Jan 1994.

Sub: Appointment of Cost Accountants as Internal Auditors and treating them at par with the Chartered Accountants for recruitment to the posts in Finance and Accounts Wings of State Public Enterprises.



The internal audit of Public Sector Enterprises is being conducted at present either by its own team of officers or by outside consultants of Chartered Accountants. The Cuttack Bhubaneswar Chapter of Institute of Cost and Works Accountants of India has represented to Government that practicing Cost Accountants may also be considered for appointment as Internal Auditors and they may be treated at par with the Chartered Accountants while filling up the vacant post in Finance and Accounts Wings in State Government Undertakings. It has been stated that the Members of the Cost Accounting profession can play a very useful role in internal audit of State Government Undertakings by enlarging its scope through input output analysis, variance analysis, wastage control, productivity checks etc. Moreover both the courses ICAI and ICWAI have almost same course curriculum and have been formed by the Act of Parliament. The time period for Articleship and Associateship are also same for both the courses. Hence, they can be expected to handle any job in Finance and Accounts Wing with equal competence as the Chartered Accountants provided they are given an opportunity.

2. Government have examined the request of the Cuttack-Bhubaneswar Chapter of the Institute of Cost and Works Accountants of India. They consider that inasmuch as there is no requirement either statutory or otherwise that internal audit should be conducted by Chartered Accountants and in terms of competence also Cost Accountants are considered to be equally competent to carry out the process of internal audit. Cost Accountants can also be considered at par with Chartered Accountant while filling up the post in Finance and Accounts Wing of State Public Sector Enterprises. They may be allowed to apply for such post along with Chartered Accountants and called for interview.

Government have, therefore, decided that hereafter State Public Sector Enterprises should consider appointment of practising Cost Accountants as Internal Auditors to carry out the functions of internal audit of State Public Sector Enterprises along with practising Chartered Accountants, and they should also be considered at par with Chartered Accountants for recruitment to the posts in Finance and Accounts Wing of State Public Sector Enterprises.

Sd/-

Development Commissioner and Secretary to Government
(The Management Accountant-April 94-P. 260)



Chapter-9

Stock Audit in Banks

To meet working capital need, the companies generally take working capital short-term loan from their banks. The Bank either may give the loan itself or through consortium of banks. A major part of working capital requirement of any Company unit would consist of maintenance of inventory. Finance against such inventories by banks is generally granted in the shape of cash credit facility where drawings will be permitted against stocks of goods. It is a running account facility where deposits and withdrawals are permitted. The companies taking working capital loans are required to maintain periodically their inventories and assets at the desired level. The borrowers in such cases are expected to submit the details of stock and debtors every month on the basis of which Drawing Power after reducing the prescribed margin is calculated by the banks. Stock and debtors being the primary security, bankers for ascertaining the genuineness & correctness of such statements appoint auditor from their empanelled list at frequent time intervals to conduct stock audit specifically where the exposure exceeds the predetermined threshold limit. Stock audit acts as a warning signal to those accounts which are likely to turn into NPA. Therefore, the Stock audit helps in prevention and early detection of frauds.

The appointment of stock auditors is generally made by the regional or zonal offices in case of nationalized banks, while in case of co-op banks sometimes concurrent auditors only are asked to conduct stock audit of select borrowers of the branch. Terms of appointment are prescribed by such offices which sometimes involves conducting of stock audit as one time exercise only while in others it may be a contract for two half yearly visits during a particular financial year, of which first visit to be conducted before September and second visit before March. The stock audit involves audit of latest stock and debtors information of the borrower and the report should give the position of stock and debtors ideally on the date of visit. Further it will also make examination of past data submitted by the borrower to the bank and appearing in the books of accounts of the borrower, to check reliability of information submitted by the borrower.

Many Banks have empanelled cost accountants in practice to conduct the stock audit. The list of stock audit prescribed by the below mentioned banks are indicative only, more banks and their branches have empanelled cost accountants in practice for this purpose:

9.1 Stock Audit-Canara Bank

CREDIT POLICY SECTION
CORPORATE CREDIT WING 112,
JC, ROAD BANGALORE-2

REF NO: CCW CPS 513 2869 BS
DATE: Oct 16, 1998

The Secretary
The Institute of Cost & Works Accountants of India
Northern India Regional Council
ICWAI Bhawan, 3 Institutional Area,
Lodi Road,
NEW DELHI – 110003



Dear Sir,

Sub: STOCK AUDITS IN BANKS BY COST ACCOUNTANTS

Ref : Your letter NIRC/BANK/OCT 98 DT. 3.10.98

We acknowledge your above referred letter and concern you have expressed in the matter.

In this connection, we would like to inform you that, we have already issued necessary instruction to our administrative office at Delhi. Therefore, you please be in touch with our General Manager, Circle Office, Delhi who will further appraise you in the matter.

Yours faithfully,
(JAYANANDA RAO)
MANAGER

9.2 Stock Audit: Indian Bank

Credit Policy & Corporate Department
Central Office,
31, Ralaji Salai
CHENNAI-600 001

CPGD/766/98-99

13.10.98

Shri Rakesh Singh

Secretary
The Institute of Cost & Works Accountants of India.
Northern India Regional Council ICWAI Bhawan,
3, Institutional Area, Lodi Road,
New Delhi 110003

Dear Sir,

Sub: Stock Audits in banks by cost Accountants

We acknowledge receipt of your above letter addressed to our Chairman and Managing Director. We are glad to inform you that we have already empanelled the Cost Accountants who are members of your Institute for stock audit in our Bank.

We shall be thankful if you could send us the fees struchers for stock audit prescribed by your Institute for our reference / recorded.

Yours Sincerely,
(V SANTHANARAMAN)
GENERAL MANAGER (GC)

Copy: CMD Sectt.

9.3 Stock Audit: State Bank of Mauritius Ltd.



(Incorporated in the Republic of Mauritius with Limited Liability)

**Mumbai Branch, Raheja Centre, Free Press Journal Road, Nariman Point
Mumbai-400 021**

Mr. Rakesh Singh
Secretary
Institute of Cost and Works Accountants of India
Northern India Regional Council
ICWAI Bhawan
New Delhi

Dear Sir,

Reg: Stock Audit in Banks by Cost Accountants

Reg: Your Letter dated 20.10.98

With reference to your letter and your telephonic talk with our officer Ms. Nandini Ravi, we request you to fax us the list of specialists in the field of Cost and Management Accountants to carry out Stock Audit of our Bank.

Yours Faithfully,
(Panday Thondrayen)
General Manager & CEO

9.4 Stock Audit: Bank of India

BANK OF INDIA
THE BANK THAT CARES.....

Head Office
Inspection & Audit Department
Administrative Office Building,
5th Floor, Plot no.11Sector no.11
CBD Belapur,
Navi Mumbai- 400614

HO: I & C: 98-99/ASM/1449

Date: 7/6/99

M/S The Institute of Cost & Works Accountants of India,
Northern India Regional Council,
ICWAI Bhawan, 3, Institutional Area,
Lodhi Road, New Delhi-110003.

Dear Sir,



**Sub: Your application for Empanelment
and Allotment of Audit & Other
professional work.**

We have received your letter No. NRIC/52/0 dated 18/5/99 in the captioned behalf along with Bio data and details of the other professional work/assignment.
2. Since your office is established under the area of our Northern Zonal Audit office at New Delhi we are forwarding your application to them. Our Zonal Audit Offices are entrusted with the job of empanelment. You may get in touch with our above office for further communication.

Thanking you,

Yours faithfully

Deputy General Manager
Inspection & Audit Department
Head Office

9.5 Stock Audit: Syndicate Bank

2343/0022/CRPPD/98/KSAB

October 20,1998

The Secretary
Institute of Cost & Works Accountants of India
Northern India Regional Council
ICWAI Bhawan, 3, Institutional Area ,
Lodi Road, New Delhi 110003

Dear Sir,

Ref: Stock Audit in Banks

We refer to your letter No. NIRC/BANK/OCT.98 dt. October 6, 1998 and inform you that we have already instructed our Zonal Offices to consider practicing cost Accountants firms and Cost Accountants for empanelment of Stock Auditors for our Bank.

For further details, please contact our Zonal Office, New Delhi, at the following address:-

Sarojini House
Bhagwandas Road
Post Box No. 580
NEW DELHI 110001

Yours faithfully

ASST. GENERAL MANAGER (CR)



9.6 Stock Audit: Andhra Bank

ANDHRA BANK
(A GOVERNMENT OF INDIA UNDERTAKING)
DR. PATTABHI BHAVAN
INTERNAL LOAN REVIEW DEPARTMENT
HEAD OFFICE: HYDERABAD

Lr. no.66/26/443

Hyderabad.
Dt. 30.06.99

To
The Institute of Cost & Works Accountant of India
ICWAI Bhawan
3, Institutional area, Lodhi Road,
New Delhi-110003.

Dear Sir,

Reg: Stock Audit in Bank
Ref: Your NIRC/5210 Dt. 18/05/99

We have the system of stock audit which is being done by cost accountants as well as chartered accountants.
We shall approach you as and when the institute's services are required.

Yours faithfully,

(T. PRABHU RAJ)
CHIEF OFFICER

9.7 Stock Audit: The Benares State Bank Limited

The Benares State Bank Limited
(Regd. & H.O: S20/52. A.K Verna Bridge. Cantt varanasi-22 1002)
(INSPECTION DEPARTMENT: HEAD OFFICE)

NO. INS. /Misc./934/98-99

dated 15.3.99

The Institute of Cost & Works Accountants of India,
Northern India Regional council,
ICWAI Bhawan,
3, Institutional Area,
Lodhi Road, New Delhi-110003.

Dear Sir,

Re: Stock Audit in Banks

We acknowledge the receipt of your letter No. NIRC/1662 dated the 30th February 1999 and request you to please send us a list of some of your members Cost Accountants with their Bio-Data and also the remuneration payable to them for Stock Audit.

Thanking you,

Yours faithfully,
(P.R.DEOGHAR)
Divisional Managers



9.8 Stock Audit: Federal Bank Ltd.

THE FEDERAL BANK LIMITED

CC/SK/145 –A2886/98

25 November 1998

Mr. Rakesh Singh
Secretary
The Institute of Cost & Works Accountants of India
Northern India Regional Council
ICWAI Bhawan, 3 Institutional Area,
Lodhi Road, New Delhi – 110003

Dear Mr. Rakesh.

We are in receipt of your letter dated 8.10.98 and are happy to inform you that we have decided to include practicing Cost Accountants also for the purpose of stock audit and search of ROC records.

Yours faithfully

M P Mani
Chief Manager

9.9 Stock Audit: State Bank of Bikaner & Jaipur

STATE BANK OF BIKANER & JAIPUR

CRAD/574/98-99

08.03.1999

The Secretary,
The Institute of Cost & Works Accountants of India
Northern India Regional council,
ICWAI Bhawan,
Lodhi Road,
New Delhi 110003

STOCK AUDIT IN BANKS BY COST ACCOUNTANTS

Dear Sir,

We acknowledge receipt of your letter No. NIRC/1662 dated 22.02.99 regarding empanel of cost accountants of stock audit. In this matter we would appreciate if you forward as you schedule of change panel of cost accountants along with a copy of model report for doing the needful in the matter.

Yours faithfully,
Sd/-
Dy. General Manager
Credit Audit

To
Shri Rakesh Singh, ICWAI
ICWAI Bhawan,
3, Institutional Area, Lodhi Road,
NEW DELHI

9.10 Concurrent Audit



Ref. No. BDP/Institutes/84-IB509

Dated 30th July, 1984

Shri R.L. Bhatia
Vice President,
The Institute of Cost and Works Accountants of India,
12, Sudder Street,
Calcutta- 16

Re: Appointment of Management Accountants as Concurrent Auditors

Dear Sir,

Please refer to your letters No. nil dated 14th May, 1984 on the above subject.

2. In this connection, we have to advise that the request contained in your aforesaid letter was considered by the Financial Institutions at a recent meeting, and it has been the consensus that the Institutions might consider entrusting assignments relating to diagnostic studies, management information system, etc. to practising Cost Accountants keeping to view their suitability for the job.

Yours faithfully,
(K.P.SRIDHARAN)
Manager (Tech)

Chapter-10

VAT Audit

Introduction of State VAT is the most significant tax reform measure at State level. The State VAT has replaced the earlier Sales Tax systems of the States. The decision to implement State VAT was taken in the meeting of the Empowered Committee of State Finance Ministers (EC) held on 18 June 2004, where a broad consensus was arrived to introduce VAT w.e.f. 01 April 2005. Accordingly, VAT has been introduced by 30 States/ UTs by now. 3 States/ UTs, namely, Uttar Pradesh, Tamil Nadu and Pondicherry have implemented VAT later. The remaining 2 UTs (Andaman & Nicobar Islands and Lakshdweep) do not levy sales tax/ VAT.

Value Added Tax (VAT) is a general consumption tax that is assessed on the value added to goods & services. It is the indirect tax on the consumption of the goods, paid by its original producers upon the change in goods or upon the transfer of the goods to its ultimate consumers. It is based on the value of the goods, added by the transferor. It is the tax in relation to the difference of the value added by the transferor and not just a profit.

VAT, in simple terms, is a multi-point levy on each of the entities in the supply chain with the facility of set-off of input tax - e.g. the tax paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. The aim is to avoid 'cascading effect', which can have a cumulative effect on the prices. It is assumed that because of cross-checking in a multi-staged tax; tax evasion would be checked, hence resulting in higher revenues to the government.

The Value Added Tax is State subject and each State has to implement VAT in its State by separate legislation. Therefore, VAT Acts implemented in each State have not similar formats of Sections and Rules as per their VAT Acts and Rules thereof. In almost all States Cost Accountants have been recognized by VAT Act and Rules thereof for the purpose of VAT Audit and Appearance as Authorised Representatives on behalf of their Clients.

The Table-1 below gives the extract of relevant Sections of VAT Acts/Rules where Cost Accountants are authorised for VAT Audit and Table-2 gives the relevant extract of VAT Act/Rules where cost accountants are authorised to appear before VAT authorities as Authorised representatives, Table-2 is given in chapter relating to "Appearance as Authorised Representative by a Cost Accountant under various Acts/Rules/Regulations".

10.1 VAT AUDIT

Sr No	Name of the State & Act	Turnover limit for audit provision in certain cases
1)	The Maharashtra Value Added Tax Act 2002	Section-61: Every dealer whose turnover is more than Rs.40 lakhs, the books of account to be audited.
2)	The Kerala Value Added Tax Act,2003	Section-42 - Audit & Certification of Returns: Every dealer whose turnover is more than Rs.40 lakhs, the books of account to be audited.
3)	The Gujarat Value Added Tax Act,2003	Section- 63- Turnover limit of Rs. 1 Crore, the books of accounts to be audited.
4)	The Assam Value Added Tax Act,2003	Section-62: Every dealer whose turnover is more than Rs.40 lakhs, the books of account to be audited.

5)	The Orissa Value Added Tax Act, 2003	Section- 65 : Turnover above Rs. 40 lakhs, the books of accounts to be audited.
6)	The West Bengal Value Added Tax Act 2003 & WB Value Added Tax Rules 2005	Section 30 E, Rule 44 -Turnover above 40 lakhs has been enhanced to Rs. 1 Crore w.e.f. 1.4.2008, the books of accounts to be audited.
7)	The Andhra Pradesh Value Added Tax Act, 2003	Section- 42 – If the commissioner feels that the dealers books of accounts are required to be audited then he issues the order accordingly.
8)	The Madhya Pradesh Value Added Tax Act	Section 39 Turnover above Rs. 40 lakhs, the books of accounts to be audited of manufacturing companies.
9)	The Uttarakhand Value Added Tax Act, 2006	Section 62 Turnover above Rs. 40 lakhs, the books of accounts to be audited.
10)	The BIHAR Value Added Tax Act, 2005	Section 54 Turnover above Rs. 40 lakhs, the books of accounts to be audited.
11)	The Tripura Value Added Tax Act	Section 53 Turnover above Rs. 40 lakhs, the books of accounts to be audited.
12)	The Delhi Value Added Tax Act, 2004	Section 49 Turnover above Rs. 40 lakhs, the books of accounts to be audited.
13)	The Jammu& Kashmir Value Added Tax Act, 2005	Section 60 Turnover above Rs. 40 lakhs, the books of accounts to be audited.
14)	The Jharkhand Value Added Tax Act,	Section 63 Turnover above Rs. 40 lakhs, the books of accounts to be audited.
15)	The Karnataka Value Added Sales Tax Act,2003	Section-31 – If dealers turnover exceeds Rs.25 lakhs then have to get books of account audited.
16)	Puduchhery Value Added Tax Act, 2007	Section 63 Turnover above Rs. 40 lakhs, the books of accounts to be audited
17)	The Tamil Nadu Value Added Sales Tax Act, 2003	Section-63 A all Certification of returns, stock statements & input Tax Credit claims
18)	The Rajasthan Value Added Tax Act, 2003	Section-73 Turnover above Rs. 100 lakhs, The books of accounts to be audited
19)	The Uttar Pradesh Value Added Tax Act, 2008	Section-2 Turnover above Rs. 1 Crore, The books of accounts to be audited
20)	The Punjab Value Added Tax Act, 2005	Section-28 Turnover above Rs. 50 lakhs , The books of accounts to be audited



10.1.1 MAHARASHTRA VALUE ADDED TAX ACT 2002

61. (1) Every dealer liable to pay tax shall,—

- (a) if his turnover of sales or, as the case may be, of purchases cases, exceed or exceeds rupees forty lakh in any year, or
- (b) a dealer or person who holds license in
 - (i) Form P.L.L under the Maharashtra Distillation of Spirit and Manufacture of Potable Liquor Rules, 1966.
 - (ii) Form B-RL under the Maharashtra Manufacture of Beer and Wine Rules, 1966 or,
 - (iii) Form E under the Special Permits and Licence Rules, 1952.
 - (iv) Forms FL-I, FL-II, FL-III, FL-IV under the Bombay Foreign Liquor Rules, 1953
 - (v) Forms CL-I, CL-II, CL-III, CL/FL/TOD III under the Maharashtra Country Liquor Rules, 1973.

get his accounts in respect of such year audited by an Accountant within the prescribed period from the end of that year and furnish within that period the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars and certificates as may be prescribed.

Explanation. —For the purposes of this section, “Accountant” means a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949. **Refer Note below:**

Note: By amendment Act, Trade Circular No.64 T of 2007 dated 15.10.2007 Maharashtra State Government amended the definition under Sub-section (1) of Section 61 in the Explanation as above. The words a Cost Accountant within the meaning of the Cost and Works Accountants Act, 1959 has been added by virtue of which Cost Accountants are now eligible to conduct Audit under section 61.

(2) If any dealer liable to get his accounts audited under sub-section (1) fails to furnish a copy of such report within the time as aforesaid, the Commissioner may, after giving the dealer a reasonable Opportunity of being heard, impose on him, in addition to any tax payable, a sum by way of penalty equal to one tenth per cent. of the total sales or as the case may be, purchases or a sum of one lakh rupees, whichever is less.

Provided that the dealer fails to furnish a copy of such report within the period prescribed under sub-section (1) but files it within one month of the end of the said period and the dealer proves to the satisfaction of the Commissioner that the delay was on account of factors beyond his control, then no penalty under this sub-section shall be imposed on him.

10.1.2 e-Form 704 under Maharashtra Value Added Tax Act, 2002

The relevant notification, e-form and instructions for filling up the form are given below for information of members:

NOTIFICATION

MAHARASHTRA VALUE ADDED TAX ACT, 2002.

No.VAT/AMD-1009/IB/Adm-6:-In exercise of the powers conferred by sub-rule (2) of Rule 17A of the Maharashtra Value Added Tax Rules, 2005 (hereinafter referred to as "principal Rules"), the Commissioner of Sales Tax, Maharashtra State hereby notifies that,-

For the Form-704 appended to the principal Rules the following Form shall be substituted, namely:-

"FORM-704

(See rule 65 and sub-rule (1) and (2) of Rule 17A)

The Audit Report under the Maharashtra Value Added Tax Act, 2002.

INSTRUCTIONS

(Please read the instructions carefully before preparing the report)

1. This form is to be used in respect of all accounting periods starting on or after 1st April 2008.
2. The Audit Report is to be submitted by all the dealers to whom the provisions of Section 61 of the MVAT Act, 2002 apply. Non-filing of Audit Report within prescribed time is an offence.
3. Only those documents which are required under the Audit report should be enclosed with this report.
4. Do not leave any field or box blank. In case any field or box is not applicable, enter '0' (zero) in numerical fields and write 'N.A' for 'Not Applicable'.
5. This Audit report is divided in three parts, which are as under:-

Sr. No.	Part	Particulars
1	Part-1	is related to verification and certification, computation of tax liability and recommendations to the dealer.
2	Part-2	is related to general information about the dealer under audit.
3	Part-3	is about the various Schedules and Annexures

6. All Parts of this report are mandatory for all the dealers. In the third part, the respective schedules and Annexures applicable to the dealer should be filled up. Third part of the report is linked with the type of return(s) required to be filed by the dealer as shown in following table and be verified accordingly.

Relevant Schedules applicable, as per type of return:

Sr.	Type of Return filed	Relevant Schedule
1	Form 231	Schedule I
2	Form 232	Schedule II
3	Form 233	Schedule III
4	Form 234	Schedule IV

5	Form 235	Schedule V
6	Form III E (CST)	Schedule VI
7	Dealer filing different types of returns (as mentioned in Sr. No.1 to 5 above)	Different combinations of Schedules as applicable depending upon the types of returns filed

STATEMENT OF SUBMISSION OF AUDIT REPORT IN FORM-704

(As per Trade Circular 27T of 2009 Dt.1st October, 2009)

I, _____, Proprietor/Partner/Director/Authorized Signatory of M/s- _____ holder of TIN 27 _____ V/C, hereby certify that the accounts of M/s- _____ holder of TIN 27 _____ V/C, have been duly audited for the period 01.04.2008 to 31.03.2009 by _____ (Name of the Chartered Accountant / Cost accountant or name of the firm of Chartered Accountant / Cost accountant), under the provisions of section 61 of the Maharashtra Value Added Tax Act, 2002 and have received audit report in Form-704 certified by the said _____ (Name of the Chartered Accountant / Cost accountant or name of the firm of Chartered Accountant / Cost accountant).

It is further acknowledged that the said Audit report has been uploaded by me on the website www.mahavat.gov.in under the transaction Id _____.

Date:

Place:

Signature with Name and Designation

Encl:-

1. Balance Sheet and Profit & Loss Account / Income and Expenditure Account and Statutory Audit Report.
2. In case dealer is having multi state activities the Trial Balance for the business activities in Maharashtra.
3. Copy of the Acknowledgement for submission of Form-704
4. Part 1 of the e-704 duly signed by the accountant as defined under section 61c of the MVAT Act, 2002 pertaining to the uploaded by the dealer. This part comprises of Audit Report and Certification, Computation of tax liability and recommendations of the accountant.

FORM – 704

(See rule 65)

Audit report under section 61 of the Maharashtra Value Added Tax Act, 2002.

PART – 2

GENERAL INFORMATION ABOUT THE DEALERS BUSINESS ACTIVITIES

1. General information:-												
A.	(1) Period under the Audit	FROM					TO					
	(2) Tax payers Identification Number under MVAT Act, 2002.											
	(3) Registration Number under CST Act, 1956											

	(4) Permanent Account Number under Income Tax Act, 1961														
B.	(1) Name of the Dealer as appearing on the Registration Certificate.	M/s _____ _____													
	2) Trade Name (If any):-	M/s _____ _____													
	(3) Address of the Business (To be given only if there is change in the Address during the period as compared with the Registration Certificate):-	M/s _____ _____													
	(4) Additional place of business:- (To be given only if there is change in the Address during the period as compared with the Registration Certificate):-	M/s _____ _____													
	i)														
ii)															
iii)															

C.	RELATED INFORMATION UNDER OTHER ACTS													
	(1)	R. C. Number under P.T. Act, 1975												
	(2)	Date of Effect of R.C. under PT Act (a) Profession Tax Returns filed for the period under Audit (b) Payments are made as per Returns (Please Tick appropriate Box).	D	D	M	M	Y	Y						
			Yes		No									
	Yes		No											
	(3)	E. C. Number under P.T. Act, 1975												
(4)	Date of Effect of E.C. under PT Act	D	D	M	M	Y	Y							
(5)	The Profession Tax under above E.C. has been paid for the period under Audit (Please Tick appropriate Box)	Yes		No										
(6)	R. C. Number under Luxury Tax Act, 1987													
(7)	(a) Returns are filed under the Luxury Tax Act,	Yes		No										
		Yes		No										

	1987 for the period under Audit (b) Payments are made as per Returns (Please Tick appropriate Box).	Yes		No	
(8)	R.C. Number Entry Tax on Goods Act, 2002, if any.				
(9)	R.C. Number under Sugarcane Purchase Tax Act, 1962, if any.				
(10)	Eligibility Certificate Number, if any.				
(11)	Entitlement Certificate Number, if any				
(12)	ECC Number under Central Excise Ac, if any.				
(13)	Import Export Code given by DGFT, if any				
(14)	Service Tax Registration Number, if any				

2. BUSINESS RELATED INFORMATION		
A.	(1) Specify the divisions or units for which separate books of account are maintained	_____

	Identity of division or unit	
	(i)	
	(ii)	
	(iii)	
B.	Business Activity in Brief	
C.	Commodity Dealt in (5 major commodities)	
D.	Address of the Place of Business of the dealer where books of account are kept	_____

E.	[i] Name and version of accounting software used	
	[ii] Change in accounting software, if any	
F.	The following are the major changes made during the period of review -	Short description of change
	(i) Change in the method of valuation of stock	



	(ii) Changes in the accounting system	
	(iii) Change in product line	
	(iv) New business activity	
	(v) Other changes, if any [please specify]	

G.	Nature of business (Please tick one or more appropriate boxes, as applicable)						
	Manufacture		Restaurant		Reseller		Wholesaler
	Retailer		Bakery		Importer		Liquor Dealer
	Works contractor				PSI Unit		Job worker
	Franchisee Agent				Mandap Decorator		
	Motor Vehicle Dealer				Second Hand Motor Vehicle Dealers		
	Other (Please Specify)						

H.	Constitution of the Business (Please tick the appropriate)				
	Proprietary	Trust	Partnership	HUF	Pvt. Ltd Co.
	Public Ltd Co	Co-operative Society	Others (Please specify)		
I.	Working capital employed by the entity (Difference between current assets and current liabilities) - as on the last day of the period under audit.			Rs. _____ (in lakh)	

3.	ACTIVITY CODE							
	Activity Code				Activity Description	Turn-over (Rs.)	Rate of Tax	Tax

4.	Particulars of the Bank Account (s) maintained during the period under Audit				
	Sr. No.	Name of the Bank	Branch Number	BSR (Give)	Account Number (s)



			Branch Address, if BSR Code not known)	

10.1.3 Appreciation for Cost Accountants by MVAT Commissionerate

Shri Sanjay Bhatia, IAS, Commissioner of Sales Tax, Maharashtra State appreciated the work done by cost accountants in respect of e-704 returns. His letter written to President of Institute is placed below for information of members:



Sanjay Bhatia, I.A.S
Commissioner of Sales Tax
Maharashtra State

Vikrikar Bhavan
 8th Floor, Mazgaon
 Mumbai-400 010
 Tel: (Off.) 91-22-2377 0028
 91-22-23760000
 (Fax): 91-22-23739790
 DC(S.O.)/B 125/ Mumbai,
 Dt 06/04/10

Dear Shri Venkataraman ji,

I am writing to you to convey my special thanks to all the Cost Accountants who have worked hard (sometimes burning the mid night oil) to make the scheme of E-Audit (704) successful. By 31st March 2010, we had received more than 1.63 lakh e-audit returns which is nearly 92% of the required 704 forms.

This has been the second historic step. The first historic step was making 100% e>Returns successful in April 2009. Kerala is the only other State to have achieved 100% e>Returns.

In between with your support, we went ahead and achieved e-CST from application (earlier 2000 persons used to queue up daily in sales tax offices), e-registration (application), e-refund (application), designated e-mail service for each dealer and e-payment.

Now, e-audit form (704) has been achieved successfully with the kind support of the all stakeholders. I am personally aware that the Cost Accountants had to work extra hard to achieve this.

But let us take pride in the fact that now other States is anywhere near us in this distinction.

All these achievements of the Sales Tax Department of Maharashtra would not have been possible without active support of the Cost Accountants community, I am also especially thankful to the Cost Accountants who were part of the working group who deliberated and prepared the e-704 forms.

Another major milestone has been the achievement of our collection target of 2009/10. Against the target of Rs. 31,346 Cr. We have already achieved more than Rs. 36,000 Cr. The year 2010-11 is expected to be another

eventful year where all the earlier years' initiatives will start bearing fruit. I am hopeful of your continuing support towards taking our initiative forward in future.

With regards,

Yours Sincerely,

Sd/-
(Sanjay Bhatia)

Shri G.N. Venkataraman,
President,
The Institute of Cost & Works Accountants of India
12, Sudder Street, Kolkata-700 016

10.1.4 THE KERALA VALUE ADDED TAX ACT, 2003 {*Updation Upto Finance Act 2009*}

Audit of accounts and certification of returns:- Section 42 (1) Every dealer whose total turnover in a year exceeds rupees forty lakhs shall get his accounts audited annually by a Chartered Accountant or **Cost Accountant** and shall submit copy of the audited statement of accounts and certificate, in the manner prescribed.

Provided that a co-operative society registered or deemed to be registered under the Kerala Co-operative Societies Act, 1969 (21 of 1969), may in lieu of the statement and certificate mentioned above, submit a copy of the audited statement of accounts and certificate issued by the Registrar of Co-operative Societies on or before 31st day of December of the year succeeding to the year to which annual return relates.

(2) Where any dealer detects any omission or mistake in the annual return submitted by him with reference to the audited figures, he shall file revised annual return rectifying the mistake or omission along with the audit certificate. Where, as a result of such revision, the tax liability increases, the revised return shall be accompanied by proof of payment of such tax, interest due thereon under subsection (5) of section 31, and penal interest, calculated at twice the rate specified under sub - section (5) of section 31:

Provided that this sub-section shall not apply to a dealer against whom any penal action is initiated in respect of such omission or mistake under any of the provisions of this Act.

10.1.5 GUJRAT VALUE ADDED SALES TAX ACT,2003

Accounts to be audited in certain cases.

Section 63. If in respect of any particular year, total turnover of a dealer exceeds rupees one crore, then such dealer shall get his accounts verified and audited by a specified authority within 9 months from the end of that year and obtain within that period a report of such audit in the prescribed form duly signed and verified by such specified authority along with such particulars as may be prescribed. A true copy of such report shall be furnished by such dealer to the Commissioner within such period as may be prescribed.

Explanation.-- For the purposes of this section,-

(a) "specified authority" means,-



- (i) a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949) and includes persons who by virtue of the provisions of sub-section (2) of section 226 of the Companies Act, 1956, (11 of 1956) is entitled to be appointed to act as an auditor of companies;
- (ii) a **Cost Accountant** within the meaning of the Cost and Works Accountants Act, 1959; (23 of 1959)
- (iii) a legal practitioner or a Sales Tax Practitioner whose name is entered in the list maintained by the Commissioner in accordance with the provisions of section 81.

10.1.6 THE ASSAM VALUE ADDED SALES TAX ACT, 2003

Audit of Accounts:

Section 62 (1): Where in any particular year, the gross turnover of a dealer exceeds forty lakhs rupees or such other amount as the Commissioner may, by notification in the Official Gazette, specify, then such dealer shall get his accounts, in respect of that year audited by an accountant within seven months from the end of that year and obtain a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed:

Provided that in a case where such dealer is required under any other law to get his accounts audited, it shall be deemed to be sufficient compliance if he gets his accounts audited under such law and furnishes an audit report as required under such law and a further report in the form prescribed under this section within the time specified under sub-section (2).

(2) A copy of such report shall be furnished by such dealer to the Prescribed Authority along with the annual return within seven months from the end of the year to which the return relates. .

(3) If any dealer fails to get his accounts audited under sub-section (1) and fails to furnish a true copy of the audit report within the time specified in sub-section (2), the Prescribed Authority may, after giving the dealer a reasonable opportunity of being heard, impose on him, in addition to any tax payable, a sum by way of penalty equal to half percent of the gross turnover or a sum of rupees one lakh, whichever is less.

*Explanation.— For the purpose of this section, “Accountant” means a Chartered Accountant within the meaning of the Chartered Accountant Act, 1949 (Central Act 38 of 1949) or a **Cost Accountant** within the meaning of the Cost and Works Accountants Act, 1959 (Central Act 23 of 1959) and includes a person who by virtue of the provisions of sub-section (2) of section 226 of the Companies Act, 1956 (Central Act 1 of 1956) , is entitled to be appointed to act as an auditor of Companies registered under the said Act.*

10.1.7 THE ORISSA VALUE ADDED TAX ACT, 2003

Accounts to be audited in certain cases.

Section 65 (1): If, in respect of any particular year, the gross turnover of a dealer exceeds rupees forty lakh or any other amount as the Commissioner may specify by notification in the Commercial Tax Gazette, then such dealer shall get his accounts in respect of such year audited by an Accountant within a period of six months from the date of expiry of that year and obtain within that period a report of such audit in the prescribed form containing the prescribed particulars duly signed and verified by such Accountant and, in every such case, a true copy of such report shall be furnished by such dealer to the Commissioner by the end of the month following the expiry of the said period of six months.



Explanation.- The expression "Accountant" means a chartered accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949) or a cost accountant within the meaning of the Cost and Works Accountants Act, 1959 (23 of 1959) and includes a person who is entitled to be appointed to act as an auditor of companies under sub-section (2) of section 226 of the Companies Act, 1956 (1 of 1956)

(2) If any dealer liable to get his accounts audited under sub-section (1) fails to furnish a true copy of such report within the time specified in sub-section (1), the Commissioner shall, after giving the dealer a reasonable opportunity of being heard, impose on him a penalty of rupees one hundred per each day of default.

10.1.8 THE WEST BENGAL VALUE ADDED TAX ACT, 2003 & THE WEST BENGAL VALUE ADDED TAX RULES, 2005

Statements, accounts or declarations to be furnished by registered dealer's and penalty for months furnishing the same.

Section 30E (1) Every registered dealer shall, in the manner as may be prescribed, submit before the prescribed authority such statements, accounts or declarations within such time as may be prescribed and shall verify that such statements, accounts or declarations are true to the best of his knowledge and belief.

(2) If a registered dealer fails to submit statements, accounts or declarations referred to in sub-section (1), he shall be liable to pay a penalty not exceeding five thousand rupees for each default, in the manner as may be prescribed.

Statements, accounts and declarations required to be furnished under sub-section (1) of section 30E and penalty for failure to submit such statements, accounts and declarations.

Rule 44 (1) Every registered dealer whose total purchase in a year exceeds forty lakh rupees shall, within sixty days from the closing of the accounting year, submit before the appropriate assessing authority, an annual statement showing the names and certificate of registration number, if any, of sellers from whom goods were purchased during such year and total amount of purchases made and tax paid or payable against such purchases during such year.

(2) Every registered dealer, other than a Public Limited Company or a Private Limited Company registered under the Indian Companies Act, 1956 whose turnover of sales exceeds forty lakh rupees, in an accounting year, shall, within six months from the closing of such accounting year, submit before the appropriate assessing authority, a Profit and Loss Account and Balance Sheet for such year, duly audited by a Chartered Accountant, along with his report and such annexure as may be necessary in support thereof, with a specific note regarding total purchase made from within West Bengal.

(3) Every registered dealer, being a Public Limited Company or a Private Limited Company registered under the Act, shall, within six months from the closing of an accounting year, submit before the appropriate assessing authority, a Profit and Loss Account and Balance Sheet for such year, duly audited by a Chartered Accountant, along with his report and such annexure as may be necessary in support thereof, with a specific note regarding total purchase made from within West Bengal.

Note:

Rule 44 of W.B. VAT Rules 2005 amended to include Cost Accountant for VAT Audit with effect from 1.4.2007.

10.1.9 THE ANDHRA PRADESH VALUE ADDED TAX ACT, 2003

Records and Investigation Powers



Section 42(1): Every VAT dealer or TOT dealer shall maintain the documents and records specified in the rules at the place of business so registered in the English language or in any of the languages specified in the Eighth Schedule to the Constitution.

(2) Every person registered under the Act, every dealer liable to get himself registered under the Act every agent acting on behalf of a resident principal and every other dealer who is required so to do by the authority prescribed by notice served in the prescribed manner, shall keep and maintain a true and correct account promptly in any of the languages mentioned in sub-section (1) showing such particulars as may be prescribed; and different particulars may be prescribed for different classes of persons or dealers.

(3) The Commissioner may get the books of accounts maintained by any dealer audited by a Chartered Accountant or **Cost Accountant** or an enrolled Sales Tax Practitioner for any tax period.

(4) Records required to be maintained under sub-section (1) shall be retained for a period of six years after the end of the year to which they relate or where the assessment is subject matter of appeal or revision under Sections 31, 32, 33, 34 or 35, the records shall be retained for a period of six years after the assessment has become final.

10.1.10 THE UTTARAKHAND VALUE ADDED TAX ACT, 2006

Audit of Accounts:

Section 62 (1) Where in any particular year gross turnover of a dealer exceeds 1[one crore] rupees or such other amount as the State Government] may, by notification in the Official Gazette, specify, then such dealer shall get his accounts, in respect of that year, audited by an accountant before 31st December] in the following year and obtain a report of such audit duly signed and verified by such accountant and setting forth such particulars as may be prescribed.

(2) A true copy of such report shall be furnished by such dealer to the Assessing Authority within two months after the expiry of the period during which the audit is required to be completed as per sub-section (1).

(3) Where in any particular year gross turnover of a dealer exceeds forty lakh rupees but does not exceed one crore rupees, then such dealer shall furnish a true copy of the audit report of his accounts duly signed and verified by a Chartered Accountant, or a Cost Accountant or an Auditor. This report shall be submitted to the Assessing Authority by 31st December of the following year.

*Explanation: For the purpose of this Section, "Accountant" means a Chartered Accountant as defined in the Chartered Accountant' Act 1949, a **Cost Accountant** as defined in the Cost and Works Accountants Act, 1959, and includes a person who by virtue of the provisions of sub-section (2) of Section 226 of the Companies Act, 1956, is entitled to be appointed to act as an auditor of Companies registered under the said Act.*

10.1.11 THE BIHAR VALUE ADDED TAX ACT

Accounts to be audited in certain cases.

Section 54(1) Every dealer whose gross turnover exceeds forty lakh rupees shall, for the purposes of this Act, get his annual accounts audited by an accountant by-

(i) the 30th day of November of the following year, in the case of a company formed and registered under the Companies Act, 1956 (1 of 1956); and



(ii) the 31st day of October of the following year, in any other case.

(2) Every dealer referred to in sub-section (1) shall obtain, by the date specified in that sub-section, a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed and true copy of such report shall be furnished, on or before the due date, by such dealer to the prescribed authority.

Explanation 1.-In this sub-section, “due date” means-

(a) where the dealer is a company within the meaning of the Companies Act, 1956 (1 of 1956), the 30th day of November of the year following the year to which such return relates;

(b) where the dealer is a person, other than a company,-

(i) in a case where the accounts of the dealer are required under this Act or any other law to be audited or where the report of an accountant is required to be furnished under this section, the 31st day of October of the year following the year to which such return relates;

(ii) in any other case, the 31st day of July of the year following the year to which such return relates.

Explanation 2.-For the purposes of this section, “accountant” means a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949) and Institute of Cost and Works Accountants of India Act, 1959 and includes a person who, by virtue of the provisions of sub-section (2) of section 226 of the Companies Act, 1956 (1 of 1956), is entitled to be appointed to act as an auditor of companies registered in any State.

10.1.12 THE TRIPURA VALUE ADDED TAX ACT, 2004

Audit of accounts:-

Section 53 (1) Where in any particular year, the gross turnover of a dealer exceeds forty lacs rupees or such other amount as the Commissioner, may, by notification in the official Gazette specify, then such dealer shall get his accounts, in respect of that year audited by an accountant within six months from the end of that year and obtain a report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed.

(2) A true copy of such report shall be furnished by such dealer to the Commissioner by the end of the month after expiry of the period of six months during which the audit would have been completed.

(3) If any dealer liable to get his accounts audited under sub-section (1) fails to get his accounts audited and furnish a true copy of the audit report within the time specified in sub-section (2), the Commissioner shall, after giving the dealer a reasonable opportunity of being heard, impose on him, in addition to any tax payable, a sum by way of penalty equal to 0.1% of the turnover as he may determine to the best of his judgement in his case in respect of the said period.

Explanation :- For the purpose of this section, “Accountant” means (i) a Chartered Accountant within the meaning of the Chartered Accountant Act, 1949 and includes a person who by virtue of the provisions of sub-section (2) of section 226 of the Companies Act, 1956 is entitled to be appointed to act as an auditor of Companies registered under the said Act or (ii) a **Cost Accountant** within the meaning of the Cost and Works Accountant Act, 1959.

10.1.13 THE DELHI VALUE ADDED TAX ACT, 2005**Audit, Investigation and Enforcement****Audit:**

Section 58 (1) The Commissioner may serve on any person in the prescribed manner a notice informing him that an audit of his business affairs shall be performed and where applicable, that an assessment already concluded under this Act may be reopened.

Explanation.- A notice may be served notwithstanding the fact that the person may already have been assessed under sections 31, 32 or 33 of this Act.

(2) A notice served under sub-section (1) of this section may require the person on whom it is served, to appear on a date and place specified therein, which may be at his business premises or at a place specified in the notice, to either attend and produce or cause to be produced the books of accounts and all evidence on which the dealer relies in support of his returns (including tax invoices, if any), or to produce such evidence as is specified in the notice.

(3) The person on whom a notice is served under sub-section (1) shall provide all co-operation and reasonable assistance to the Commissioner as may be required to conduct the proceedings under this section at his business premises.

(4) The Commissioner shall, after considering the return, the evidence furnished with the returns, if any, the evidence acquired in the course of the audit, if any, or any information otherwise available to him, either –

(a) confirm the assessment under review; or

(b) serve a notice of the assessment or re-assessment of the amount of tax, interest and penalty if any pursuant to sections 32 and 33 of this Act.

(5) Any assessment pursuant to an audit of the person's business affairs shall be without prejudice to prosecution for any offence under this Act.

Special Audit

Section 58A (1) If, at any stage of the proceeding under this Act, the Commissioner, having regard to the nature and complexity of the business of a dealer and the interest of the revenue, is of the opinion that it is necessary so to do, he may direct the dealer by a notice in writing to get his records including books of accounts, examined and audited by an accountant or a panel of accountants or any other professional or panel of professionals nominated by the Commissioner in this behalf and to furnish a report of such examination and audit in the format that he may specify, duly signed and verified by such accountant or panel of accountants or professional or panel of professionals and setting forth such particulars as may be specified.

(2) The provision of sub-section (1) shall have effect notwithstanding that the accounts of the dealer have been audited under any other provision of this Act or any other law for the time being in force or otherwise.

(3) Every report under sub-section (1) shall be furnished by the dealer to the Commissioner within such period as may be specified by the Commissioner:

PROVIDED that the Commissioner may, on an application made in this behalf by the dealer and for any good and sufficient reason, extend the said period by such further period or periods as he thinks fit:

As per Definition under Section 2 (1) (a) **“accountant”** means –

- (i) a chartered accountant within the meaning of the Chartered Accountant's Act, 1949 (Act 38 of 1949);
- (ii) a person who by virtue of the provisions of sub-section (2) of section 226 of the Companies Act, 1956 (1 of 1956), is entitled to be appointed to act as an auditor of companies registered; or



- (iii) **a cost accountant** within the meaning of the Cost and Works Accountants Act, 1959 (23 of 1959); or]
 (iv) a person referred to in section 619 of the Companies Act, 1956 (1 of 1956).

10.1.14 THE JAMMU& KASHMIR VALUE ADDED TAX ACT, 2005

Audit of Accounts.

Section 60 (1) Any dealer whose gross turnover in a year exceeds rupees 40 lacs or such other amount as the Commissioner may, by a notification in the Government Gazette specify, shall get his accounts in respect of that year audited by a Chartered Accountant or **Cost and Works Accountant** within six months from the end of that year and obtain a report of such audit in the prescribed form duly signed and verified by such Chartered Accountant or Cost and Works Accountant and setting forth such particulars as may be prescribed.

(2) A true copy of such report shall be furnished by such dealer to the Commissioner by the end of the month after expiry of the period of six months during which the audit would have been completed.

(3) If any dealer liable to get his accounts audited under sub-section (1) fails to get his accounts audited or fails to furnish a true copy of the audit report within the time specified in sub-section (2), the Assessing Authority shall after giving such dealer an opportunity of being heard impose on him, in addition to any tax payable, a sum by way of penalty equal to 0.25% of the turnover as he may determine to the best of his judgment, in his case, in respect of the said period.

10.1.15 THE JHARKHAND VALUE ADDED TAX ACT, 2005

Audit of Accounts:-

Section 63 (1) Where in any particular year, the gross turnover of a dealer exceeds 40 lakh rupees or such other amount as the prescribed authority may, by a Notification in the Official Gazette specify, then such dealer shall get his Accounts audited for the purpose of this Act, in respect to that year, by an "Accountant" or "Tax Practitioners", within six months from the end of that year and obtain a report of such Audit in the Prescribed Form, duly signed and verified by such "Accountant" or "Tax Practitioners", and setting forth such particulars, as may be prescribed.

(2) A true copy of such report shall be furnished by such Dealer to the Prescribed Authority by the end of the month after expiry of the period of six months during which the Audit would have been completed.

(3) If any dealer liable to get his Accounts audited under sub-Section (1) fails to get his Accounts audited and furnish a true copy of the Audit Report within the time specified in sub-Section (2), the Prescribed Authority shall, after giving the Dealer a reasonable opportunity of being heard, impose on him, in addition to any Tax Payable, a sum by way of penalty equal to 0.1% of the turnover as he may determine to the best of his judgment in his case in respect of the said period.

As per Definition under Section 2 (i), Accountant is defined as follows:

- (i) "**Accountant**" for the purpose of this Act means —
- (a) A Chartered Accountant within the meaning of the Chartered Accountant's Act, 1949 (38 of 1949);
 - (b) A person, who by virtue of the provisions of sub-section (2) of Section 226 of the Companies Act, 1956 (1 of 1956), is entitled to be appointed to act as an auditor of companies registered; or
 - (c) A **Cost Accountant** within the meaning of the Cost and Works Accountants Act, 1959 (23 of 1959); or
 - (d) A person referred to in Section 619 of the Companies Act, 1956 (1 of 1956);



- (e) A person, who has passed the final examination of Institute of Companies Secretaries of India, New Delhi;
- (f) A person, who has passed any other examination in this behalf, notified by the Government.

10.1.16 THE KARNATAKA VALUE ADDED SALES TAX ACT, 2003

Accounts.- (1) Every registered dealer and every liable to pay tax under this Act shall keep and maintain a true and correct account, in Kannada or English or Hindi or in such other language as the Government may, by notification, specify, of all his purchases, receipts, sales, other disposals, production, manufacture and stock showing the values of goods subject to each rate of tax under this Act including input tax paid and output tax payable.

(2) If the Commissioner or prescribed authority is of the opinion that the accounts kept and maintained by any dealer or any class of dealers do not sufficiently enable him or it to verify the returns required under this Act or to make any assessment under it, he or it may, by order, require any dealer or class of dealers, to keep such accounts and records including tax invoices of manufacture, sales, purchases, disposals or transfers of stock other than by way of sales in such form and in such manner as he or it may direct.

(3) If the Commissioner considers that any class of dealers is not in a position to keep and maintain accounts in accordance with the provisions of this Section, he may, for reasons to be recorded in writing, permit such class of dealers to maintain accounts in the prescribed manner.

(4) Every dealer whose taxable turnover in a year exceeds twenty five lakh rupees shall have his accounts audited by a Chartered Accountant or a Tax Practitioner subject to such conditions and such limits as may be prescribed and shall submit to the prescribed authority a copy of the audited statement of accounts and prescribed documents in the prescribed manner.

Note:

As per Amendment Act vide Notification No. FD 165 CSL 07, Bangalore, dated: 16.05.2007, the Rule 34 amended to include Cost Accountant also for the above purpose as follows.

Amendment of rule 34.- In rule 34 of the said rules,-

- (1) in sub-rule (1), after the words "Chartered Accountant", the words "**or a Cost Accountant**" shall be inserted;
- (2) in sub-rule (3), the following proviso shall be inserted, namely:-

"Provided that the statement in Form VAT 240 for the year ending 31st March, 2007 shall be in the form as substituted in the Karnataka Value Added Tax (Amendment) Rules, 2007."

10.1.17 PUDUCHHERY VALUE ADDED TAX ACT, 2007

Accounts to be audited by Chartered Accountants or Cost Accountants.

Section 54. Every dealer whose total turnover in a year exceeds rupees fifty lakhs shall get his accounts audited by Chartered Accountants or **Cost Accountants** and shall submit a copy of the audited statement of accounts and certificate in the manner prescribed.

10.1.18 The Tamil Nadu Value Added Tax Act, 2006.



63-A. *Accounts to be audited in certain cases.*—(1) Every registered dealer whose total turnover including zero-rate sale and sale in the course of inter-State trade or commerce as specified in section 3 of the Central Sales Tax Act, 1956 (Central Act 74 of 1956) in a year, exceeds one crore rupees, shall get his accounts in respect of that year, audited by an Accountant and submit a report of such audit in the prescribed Form, duly signed and verified by the Accountant, to the Assessing authority, within such period as may be prescribed.

Explanation.—For the purpose of this section “Accountant” means, a Chartered Accountant as defined in the Chartered Accountants Act, 1949 (Central Act 38 of 1949) or **a Cost Accountant** as defined in the Cost and Works Accountants Act, 1959 (Central Act 23 of 1959).

(2) If such registered dealer fails to get his accounts audited and submit a report of such audit within the prescribed period, as required in sub-section (1), the Assessing authority may, after giving a reasonable opportunity of being heard, direct such registered dealer to pay by way of penalty of sum of rupees ten thousand, in addition to any tax payable, in respect of the said period:

Provided that, this section shall not apply to the departments of Central and State Governments, local authorities, the railway administration as defined under the Railways Act, 1989 (Central Act 24 of 1989), the Tamil Nadu State Road Transport Corporations and similar such registered dealers, as may be notified by the Government.

(By order of the Governor)

G. JAYACHANDRAN,
Secretary to Government,
Law Department.

10.1.19 THE RAJASTHAN VALUE ADDED TAX ACT, 2003

Section 73. *Audit of accounts.*—[(1) Every registered dealer, other than the dealer who has opted for payment of tax under sub-section (2) of section 3 or under section 5 or who files e—returns with prescribed documents or submits returns and documents in soft copy to the assessing authority or the officer authorised by the Commissioner "or the dealer or class of dealers as may be notified by the State Government", shall, if his turnover "exceeds rupees one hundred lac" in any year, get his accounts in respect of such year audited by an Accountant within the prescribed period from the end of that year and furnish within the prescribed period the report of such audit in the prescribed form duly signed and verified by such Accountant setting forth such particulars and certificates as may be prescribed.

"Explanation.- For the purposes of this section Accountant means:-

(i) a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949 (Central Act No. 38 of 1949); and

(ii) a **Cost Accountant** within the meaning of the Cost and Works Accountants Act, 1959 (Central Act No. 23 of 1959)."]

(2) If any dealer liable to get his accounts audited under sub-section (1) fails to furnish a copy of such report within the time as aforesaid, the assessing authority or the officer not below the rank of Assistant Commercial Taxes Officer authorised by the Commissioner may, impose on him, in addition to any tax payable, a sum by way of *penalty equal to one tenth percent of the total turnover of that year or rupees one lac, whichever is less.

10.1.20 THE UTTAR PRADESH VALUE ADDED TAX ACT, 2008

Accounts and documents to be maintained by dealers

21. (1) Every taxable dealer shall keep and maintain a true and correct account showing the value of the goods sold and bought by him, and in case the accounts maintained in the ordinary course do not show the same in an intelligible form, he shall maintain true and correct account in such form, as may be prescribed in this behalf. Quoting of Taxpayers' Identification Number Accounts and documents to be maintained by dealers³¹

(2) A manufacturer liable to pay tax under this Act shall, in addition to the accounts referred to in other sub-sections, maintain stock books in respect of goods used or consumed in manufacture as well as the products obtained at every stage of production. Provided that in the case of any class of manufacturers, the aggregate of whose turnover, in an assessment year does not exceed twenty five lakh rupees, the Commissioner, or in any other case the State Government, may relax the requirements of this sub-section subject to such conditions and restrictions as may be deemed fit to be specified.

(3) The accounts, documents and the stock books required to be maintained under this section shall be preserved by the dealer for such period as may be prescribed.

(4) Every registered dealer who consigns or delivers any goods or class of goods specified in the rules made thereunder or such other goods or class of goods, as the State Government may, by notification in the Gazette, specify in this behalf, of such quantity, measure or value as may be notified, to a dealer whether by reason of sale or otherwise, shall issue to the purchaser or consignee person of goods, a transport-memo in prescribed manner and in prescribed form obtained from the assessing authority having jurisdiction over the area in which principal place of business of such dealer is situated.

(5) Except as provided in sub-section (4) every dealer liable to pay tax while consigning or delivering any taxable goods to another dealer whether as a result of sale or otherwise, shall issue to the purchaser or consignee of goods, a legible challan or transfer invoice in the prescribed manner containing such particulars, as may be prescribed,.

(6) Where any goods are transported by road, original copy of transport memo referred to in sub-section (4), challan or transfer invoice referred to in sub-section (5), as the case may be, completed in all respects shall accompany the goods during journey of goods.

(7) Person transporting the goods for delivery to the consignee shall fill in the particulars in the relevant columns provided on transport memo, challan or transfer invoice, as the case may be, and shall deliver such transport memo, challan or transfer invoice to the consignee dealer along with goods.

(8) Every dealer who receives any form of declaration or certificate prescribed under this Act or rules made thereunder, from its assessing authority or from any other person, shall use them in the prescribed manner and shall keep an account, in the prescribed manner, of all such used and unused forms of declaration or certificates including forms of declaration or certificates received from other persons.

(9) No dealer shall transfer to any person and no person shall receive from any person any certificate or any form of declaration prescribed under the rules made under this Act except as provided under this Act or the rules made thereunder.

(10) Where a dealer disposes of taxable goods in more than one of the following ways:

- (i) makes sale of goods inside the State; or
- (ii) consigns goods to other dealers for sale inside the State; or
- (iii) makes sale of goods in the course of inter-state trade or commerce; or

- (iv) makes sale of goods in the course of the export of the goods out of or in the course of the import of the goods into, the territory of India; or
- (v) consigns goods outside the State otherwise than as a result of sale, shall, as far as possible, keep separate account of purchase, sale, receipt and dispatch of goods for each such purpose.

(11) A dealer who claims input tax credit under section 13 shall maintain a register in respect of tax period wise computations of amount of input tax credit.

(12) A dealer who maintains or keeps books, accounts or documents in a computer, shall also maintain day to day print out of all such books, accounts and documents.

(13) Every dealer liable to pay tax shall prepare an inventory of all goods held in stock, as mentioned hereunder, along with their purchase value, on following dates:

- (a) goods held in opening stock on the date on which the dealer becomes liable to pay tax;
- (b) goods held in closing stock on the last date of each assessment year;
- (c) goods held in closing stock on the date of discontinuance of business;
- (d) in case of a dealer who has opted for payment of tax or lump sum under section 6, goods held in opening stock on the date from which provisions of section 6 cease to apply:

Provided that a manufacturer shall also prepare a list of goods used or consumed in manufacture, processing or packing of any manufactured or semi-manufactured goods held in stock on the aforesaid dates along with their purchase value.

(14) Where in any tax invoice, issued by the registered selling dealer to the registered purchasing dealer, in respect of sale of any goods, amount shown as tax exceeds the amount of tax payable on such sale under this Act, such selling dealer, within 30 days from the date of issue of tax invoice, shall provide such purchasing dealer with a credit note of excess amount realized as tax and the purchasing dealer shall provide to the selling dealer with a debit note of such amount containing such requisite particulars as may be prescribed.

(15) Where in respect of sale of any goods, amount of tax payable under this Act exceeds amount shown as tax in the tax invoice issued by the registered selling dealer to the registered purchasing dealer, such selling dealer, within 30 days from the date of issue of tax invoice, shall provide to such purchasing dealer with a debit note of differential amount of tax and the purchasing dealer shall provide to the registered selling dealer a credit note containing such requisite particulars as may be prescribed.

(16) In case of goods returned or rejected by the purchaser, a credit note shall be issued by the selling dealer to the purchasing dealer and 33 debit note shall be issued by the purchasing dealer to the selling dealer containing such requisite particulars as may be prescribed:

Provided that where any goods sold in any assessment year are returned or rejected in the succeeding assessment year within six months from the date of sale, the amount of sale price of goods returned or rejected and amount of tax relating to such goods which have been shown to have been realized by selling dealer from purchasing dealer and shown in the debit note or credit note, as the case may be, shall be adjusted with the turnover of sales or the turnover of purchases, as the case may be, in the assessment year in

which goods are returned or rejected. (17) If in respect of any particular assessment year, gross turnover of purchase or sale or both, as the case may be, of any dealer exceeds rupees one crore, then such dealer shall get his accounts verified and audited by a specified authority within six months from end of that assessment year and obtain within that period a report of such audit in the prescribed form duly signed and verified by such specified authority alongwith such particulars as may be prescribed. A true copy of such report shall be furnished by such dealer to the assessing authority within such period as may be prescribed.

Explanation: For the purpose of this section, expression “specified authority” means-

- (i) a Chartered Accountant within the meaning of the Chartered Accountants Act, 1940 and includes persons by virtue of provisions of sub-section (2) of section 226 of the Companies Act, 1956, is entitled to be appointed to act as an auditor of companies;
- (ii) a **Cost Accountant** within the meaning of the Cost and Works Accountant Act, 1959;
- (iii) any other authority specified by the State Government.

(18) If any dealer liable to get his accounts audited under sub-section (1) fails to furnish copy of such report within the prescribed time, the assessing authority shall, after giving the dealer a reasonable opportunity of being heard, impose on him in addition to tax payable, a sum by way of penalty not exceeding ten thousand rupees, as he may determine.

10.1.21 THE PUNJAB VALUE ADDED TAX ACT, 2005

44. Selection of persons for audit.-- (1) The Commissioner shall select, on the basis of the parameters as may be laid down by him, a certain number of persons for audit under section - 28

Provided that the Commissioner may, upon receipt of information or otherwise, select those persons for audit, who, according to him, are required for audit.

(2)The audit, shall be performed by an officer or a team of officers consisting such officers as may be deemed fit by the Commissioner.

(3) The Commissioner may, keeping in view the nature and complexity of a case and in the interest of revenue , nominate professionals like Chartered Accountants or Cost accountants from amongst a panel of such professionals duly approved by the Government , for assistance in performance of audit by the officers of the department.

(4)The remuneration for the professionals shall be determined by the Commissioner based on the turnover of a person required to be audited with the assistance of the professionals. Monetary incentive may also be given in addition to the remuneration, based on the performance and revenue gains.

(5)The audit may be made for one period or for more than one return periods.



Chapter-11 Excise, Customs and Rubber Board Audit

11.1 Central Excise Act, 1944

11.1.1 Central Excise Valuation Audit

SECTION 14A. SPECIAL AUDIT IN CERTAIN CASES.

(1) If at any stage of enquiry, investigation or any other proceedings before him, any Central Excise Officer not below the rank of an Assistant Commissioner of Central Excise, having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or determined by a manufacturer or any person, he may, with the previous approval of the Chief Commissioner of Central Excise, direct such manufacturer or such person to get the accounts of his factory, office, depots, distributors or any other place, as may be specified by the said Central Excise Officer, audited by a cost accountant or chartered accountant, nominated by the Chief Commissioner of Central Excise in this behalf.

(2) The cost accountant or chartered accountant, so nominated shall, within the period specified by the Central Excise Officer, submit a report of such audit duly signed and certified by him to the said Central Excise Officer mentioning therein such other particulars as may be specified:

Provided that the Central Excise Officer may, on an application made to him in this behalf by the manufacturer or the person and for any material and sufficient reason, extend the said period by such further period or periods as he thinks fit; so, however, that the aggregate of the period originally fixed and the period or periods so extended shall not, in any case, exceed one hundred and eighty days from the date on which the direction under sub-section (1) is received by the manufacturer or the person.

(3) The provisions of sub-section (1) shall have effect notwithstanding that the accounts of the manufacturer or person aforesaid have been audited under any other law for the time being in force or otherwise.

(4) The expenses of, and incidental to, such audit (including the remuneration of the cost accountant or chartered accountant) shall be determined by the Chief Commissioner of Central Excise (which determination shall be final) and paid by the manufacturer or person and in default of such payment, shall be recoverable from the manufacturer or the person in the manner provided in section 11 for the recovery of sums due to the Government.

(5) The manufacturer or the person shall be given an opportunity of being heard in respect of any material gathered on the basis of audit under sub-section (1) and proposed to be utilized in any proceedings under this Act or rules made there under.

Explanation 1: For the purpose of this section, "cost accountant" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959).

Explanation 2.—For the purposes of this section, "chartered accountant" shall have the meaning signed to it in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949.

11.1.2 Central Excise Special Audit

SECTION 14AA. SPECIAL AUDIT IN CASES WHERE CREDIT OF DUTY AVAILED OR UTILISED IS NOT WITHIN THE NORMAL LIMITS, ETC.

(1) If the Commissioner of Central Excise has reason to believe that the credit of duty availed of or utilised under the rules made under this Act by a manufacturer of any excisable goods –

- (a) Is not within the normal limits having regard to the nature of the excisable goods produced or manufactured, the type of inputs used and other relevant factors, as he may deem appropriate;
- (b) Has been availed of or utilised by reason of fraud, collusion or any willful mis-statement or suppression of facts,

He may direct such manufacturer to get the accounts of his factory, office, depot, distributor or any other place, as may be specified by him, audited by a cost accountant or chartered accountant nominated by him.

(2) The cost accountant or chartered accountant so nominated shall, within the period specified by the



Commissioner of Central Excise, submit a report of such audit duly signed and certified by him to the said Commissioner mentioning therein such other particulars as may be specified.

(3) The provisions of sub-section (1) shall have effect notwithstanding that the accounts of the said manufacturer aforesaid have been audited under any other law for the time being in force or otherwise.

(4) The expenses of, and incidental to, such audit (including the remuneration of the cost accountant or chartered accountant) shall be determined by the Commissioner of Central Excise (which determination shall be final) and paid by the manufacturer and in default of such payment shall be recoverable from the manufacturer in the manner provided in section 11 for the recovery of sums due to the Government.

(5) The manufacturer shall be given an opportunity of being heard in respect of any material gathered on the basis of the audit under sub-section (1) and proposed to be utilised in any proceeding under this Act or rules made there under.

Explanation: For the purpose of this section, "cost accountant" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959).

Explanation 2.—For the purposes of this section, "chartered accountant" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949.

11.2 Customs Act, 1962

11.2.1 Section 11. Special Audit in certain cases:

- (i) The Chief Commissioner of Customs may, for reasons to be recorded in writing, direct a manufacturer to get the accounts of his warehouse, office, stores, godowns, factory, depot, or other establishment audited by a Cost Accountant, nominated by him in this behalf.
- (ii) The Cost Accountant, shall submit the audit report duly signed and certified by him within the period specified by the Chief Commissioner of Customs, or such extended period as may be allowed by him, to the Commissioner, giving therein such other information or particulars as may have been asked for by the Chief Commissioner.
- (iii) The provisions of sub-regulation (i) shall be in addition to, and not in derogation of any other law for the time being in force.
- (iv) The expenses of, and incidental to, such audit (including the remuneration of the Cost Accountant) shall be determined by the Chief Commissioner and paid by the manufacturer and in default of such payment shall be recoverable from the manufacturer in the manner provided in section 142 of the Customs Act, 1962 (52 of 1962).
- (v) The manufacturer shall be given a copy of the audit report conducted in pursuance of sub-regulation (1) who may make a representation, if he so likes.

Explanation: For the purpose of this regulation "Cost Accountant" shall have the meaning assigned to it in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959).

11.3 The relevant extract of Circular no. 88/98-Customs., dated 2/12/1998 issued by Ministry of Finance, Department of Revenue for Liberalisation of bonding procedure in respect of 100% EOUs is given below:

Circular No. 88/98- Customs., dated 2/12/1998

**F.No. 473/9/98 - LC
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs, New Delhi**



**Subject : Liberalisation of bonding procedure in
respect of 100% EOUs - regarding**

Audit of the unit:

- (i) The presently sanctioned Cost Recovery Officers shall examine the records of the units and transactions undertaken by the unit at least once in a month. The notification provides in regulation 11, that the Chief Commissioner may order special audit of the unit by a Cost Accountant (CA) nominated by him in this regard. Cost audit may be employed as a tool to check the correctness of raw material, quantity used, finished goods produced or other such situations. Before such approval, the Chief Commissioner may form a panel of CAs, fix the rate of the charges to be received by the said Cost Accountant. The names of the CAs and the details of the charges may be pre-notified at regular intervals.
- (ii) It may be seen that while the latitude for manufacture and clearance and movement of raw materials and finished goods have been given to the EOUs, extra responsibility devolves on the cost recovery officers who are presently attached to the said units. There is no proposal at present for reduction or abolition of the said cost recovery posts. Wherever one officer has been assigned to more than one unit, the said officer would be made responsible for specific monthly checks. However, the units be permitted to operate with as much flexibility as possible. To obtain economy of scale units resort to various cost cutting measures like combining purchase of raw materials with other units, dispatch of goods in the same conveyance with other units or setting up common user facilities. Such arrangements may be allowed subject to proper and easy accounting of the duty free raw material and capital goods used therein.
- (iii) However, it must be insisted upon and ensured that all movements of goods be recorded in a proper register. Where specific difficulty arises, units may be cost audited with the prior permission of Chief Commissioner.

11.4 Rubber Board

**THE RUBBER BOARD
P.B. No. 280, Sastri Road,
Kottayam - 686 001, Kerala State**

Ref. 7/1 /78-ED/2 185

2nd April, 1979.

The Secretary
The Institute of Cost & Works Accountants of India,

12, Sudder Street, Calcutta- 700016.

Sir,

Sub: Audit Reports under Rule 33(f) of the Rubber Rules, 1955.

On a representation received from the Secretary of the Southern India Regional Council of the Institute of Cost and Works Accountants of India, it has been decided that for the purpose of Rule 33(f) of the Rubber Rules 1955, audit reports by Cost Accountants in practice will also be accepted.

Rule 33(f) of the Rubber Rules 1955 reads as follows :

“33 (f) All manufacturers, whether they hold valid licences issued under Rule 40 or not, shall after the close of each financial year also submit a report from a Registered Auditor or any other authority previously approved by the Board, certifying the correctness of the returns submitted under clause(s)”. (The return under clause (s) refers to the half yearly return in Form ‘N’ showing details of the quantity of rubber purchased or otherwise acquired and consumed or used by manufacturers).



Yours faithfully
Sd/-
Secretary

Copy communicated to:-
The Secretary,
WIRC of ICWAI,
Rohit Chambers, 4th
floor, Ghoga Street,
Bombay-40000 1.

Sd/-
For Asstt. Secretary (ED)



Chapter-12

Appearance as an Authorised Representative

A cost accountant is allowed under various Acts to appear before Appellate Tribunals in connection with any proceedings under the respective Act. The provisions under various Acts in this regard are as follows:

12.1 Companies Act

Lok Sabha has passed Companies Bill 2012 on 18th December 2012. The bill is yet to be passed by the Rajya Sabha. Clause 432 to Companies Bill 2012 authorizes Cost Accountants to appear before the Tribunal or the Appellate Tribunal on behalf of their clients. The clause 432 is reproduced below:

12.1.1 Right to legal representation.

*“432. A party to any proceeding or appeal before the Tribunal or the Appellate Tribunal, as the case may be, may either appear in person or authorise one or more chartered accountants or company secretaries or **cost accountants** or legal practitioners or any other person to present his case before the Tribunal or the Appellate Tribunal, as the case may be”.*

12.2 Central Excise & Customs

12.1.1 The Central Excises Act, 1944

APPEARANCE BY AUTHORISED REPRESENTATIVE

Section 35Q. (1) Any person who is entitled or required to appear before a Central Excise Officer or the Appellate Tribunal in connection with any proceedings under this Act, otherwise than when required under this Act to appear personally for examination on oath or affirmation, may, subject to the other provisions of this section, appear by an authorised representative.

(2) For the purposes of this section, "authorised representative" means a person authorised by the person referred to in sub-section (1) to appear on his behalf, being –

- (a) His relative or regular employee; or
- (b) Any legal practitioner who is entitled to practice in any civil court in India; or
- (c) Any person who has acquired such qualifications as the Central Government may prescribe for this purpose.

(3) Notwithstanding anything contained in this section, no person who was a member of the Indian Customs and Central Excise Service - Group A and has retired or resigned from such Service after having served for not less than three years in any capacity in that Service, shall be entitled to appear as an authorised representative in any proceedings before a Central Excise Officer for a period of two years from the date of his retirement or resignation, as the case may be.

(4) No person,-

- (a) Who has been dismissed or removed from Government service; or
- (b) Who is convicted of an offence connected with any proceeding under this Act, the Customs Act, 1962 (52 of 1962) or the 114 Gold (Control) Act, 1968 (45 of 1968); or
- (c) Who has become an insolvent, shall be qualified to represent any person under sub-section (1), for all times in the case of a person referred to in clause (a), and for such time as the Commissioner of Central Excise or the competent authority under the Customs Act, 1962 or the Gold (Control) Act, 1968, 114 as the case may be, may, by order, determine in the case of a person referred to in clause (b), and for the period during which the insolvency continues in the case of a person referred to in clause (c).

(5) If any person,-

- (a) Who is a legal practitioner, is found guilty of mis-conduct in his professional capacity by any authority entitled to institute proceedings against him, an order passed by that authority shall have effect in relation to his right to appear before a Central Excise Officer or the Appellate Tribunal as it has in relation to his right to practice as a legal practitioner;



(b) Who is not a legal practitioner, is found guilty of mis-conduct in connection with any proceedings under this Act by the prescribed authority, the prescribed authority may direct that he shall thenceforth be disqualified to represent any person under sub-section (1).

(6) Any order or direction under clause (b) of sub-section (4) or clause (b) of sub-section (5) shall be subject to the following conditions, namely:-

- (a) No such order or direction shall be made in respect of any person unless he has been given a reasonable opportunity of being heard;
- (b) Any person against whom any such order or direction is made may, within one month of the making of the order or direction, appeal to the Board to have the order or direction cancelled; and
- (c) No such order or direction shall take effect until the expiration of one month from the making thereof, or, where an appeal has been preferred, until the disposal of the appeal.

The qualification to act as authorised representatives has been given under Central Excise Appeals Rules 2001 as follows:

Central Excise Appeals Rules 2001

Rule 12. Qualifications for authorized representatives.— For the purposes of clause (c) of sub-section (2) of section 35Q of the Act, an authorized representative shall include a person who has acquired any of the following qualifications namely:-

- (a) a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949); or
- (b) a Cost Accountant within the meaning of the Cost and Works Accountants Act, 1959 (23 of 1959); or
- (c) a Company Secretary within the meaning of the Company Secretaries Act, 1980 (56 of 1980) who has obtained a certificate of practice under section 6 of that Act; or
- (d) a post-graduate or an Honours degree holder in Commerce or a post-graduate degree or diploma holder in Business Administration from any recognised university; or
- (e) a person formerly employed in the Department of Customs and Central Excise or Narcotics and has retired or resigned from such employment after having rendered service in any capacity in one or more of the said departments for not less than ten years in the aggregate.

Explanation. - In this rule "recognised University" means any of the Universities specified below, namely:-

I.	Indian Universities: Any Indian University incorporated under any law for the time being in force in India
II.	Rangoon University;
III.	English and Welsh Universities: The Universities of Birmingham, Bristol, Cambridge, Durham, Leeds, Liverpool, London, Manchester, Oxford, Reading, Sheffield and Wales;
IV.	Scottish Universities: The Universities of Aberdeen, Edinburgh, Glasgow and St. Andrews;
V.	Irish Universities: The Universities of Dublin (Trinity College), the Queen's University, Belfast and the National University of Dublin;
VI.	Pakistan Universities: Any Pakistan University incorporated by any law for the time being in force;
VII.	Bangladesh Universities: Any Bangladesh University incorporated by any law for the time being in force.

12.1.2 Customs Act, 1962

APPEARANCE BY AUTHORISED REPRESENTATIVE.

Section 146A. (1) Any person who is entitled or required to appear before officer of customs or the Appellate Tribunal in connection with any proceedings under this Act, otherwise than when required under section 108 to attend personally for examination on oath or affirmation, may, subject to the other provisions of this section, appear by an authorised representative.

(2) For the purposes of this section, "authorised representative" means a person authorised by the person referred to in sub-section (1) to appear on his behalf, being-



- (a) his relative or regular employee; or
- (b) a custom house agent licensed under section 146; or
- (c) any legal practitioner who is entitled to practise in any civil court in India; or
- (d) any person who has acquired such qualifications as the Central Government may specify by rules made in this behalf.

The qualification of **authorised representatives** is defined under 'Customs Appeals Rules 1982as follows:

Customs Appeals Rules 1982

Rule 9. Qualifications for authorised representatives.— For the purposes of section 146A, an authorised representative shall include a person who has acquired any of the following qualifications, being the qualifications specified under clause (d) of sub-section (2) of the said section 146A, namely :-

- (a) a Chartered Accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949); or
- (b) a Cost Accountant within the meaning of the Cost and Works Accountants Act, 1959 (23 of 1959); or
- (c) a Company Secretary within the meaning of the Company Secretaries Act, 1980 (56 of 1980), who has obtained a certificate of practice under section 6 of that Act; or
- (d) a post-graduate or an Honours degree holder in Commerce or a post-graduate degree or diploma holder in Business Administration from any recognised University; or
- (e) a person formerly employed in the Departments of Customs or Central Excise or Narcotics and has retired or resigned from such employment after having rendered service in any capacity in one or more of the said Departments for not less than ten years in the aggregate.

Explanation. — In this rule, "Recognised University" means any of the Universities specified below, namely:-

- I. Indian Universities: Any Indian University incorporated under any law for the time being in force in India;
- II. Rangoon University
- III. English and Welsh Universities- The Universities of Birmingham, Bristol, Cambridge, Durham, Leeds, Liverpool, London, Manchester, Oxford, Reading, Sheffield and Wales;
- IV. Scottish Universities- The Universities of Aberdeen, Edinburgh, Glasgow and St. Andrews;
- V. Irish Universities- The Universities of Dublin (Trinity College), the Queen's University, Belfast and the National University of Dublin;
- VI. Pakistan Universities- Any Pakistan University incorporated under any law for the time being in force;
- VII. Bangladesh Universities- Any Bangladesh University incorporated under any law for the time being in force.

12.1.3 Customs, Excise and Gold (Control) Appellate Tribunal APPEARANCE BY AUTHORISED REPRESENTATIVE.

65. (5) "Appellate Tribunal" means the Customs, Excise and Gold (Control) Appellate constituted under section 129 of the Customs Act, 1962 (52 of 1962);

Customs, Excise and Gold (Control) Appellate Tribunal (Procedure) Rules, 1982 Notification No. 1/CEGAT/82, dated 25-10-1982 as amended

An authorised representative can appear before Central, Excise and Gold (Control) Appellate Tribunal (CEGAT). **Rule 2(c)** defines an Authorised Representative as follows:

- (i) a person authorised by the person referred to in sub-section (1) of section 146A of the Customs Act, or as the case may be, sub-section (1) of section 35Q of the Central Excises Act or sub-section (1) of section 101A of the Gold (Control) Act, to appear on his behalf in such proceedings; or
- (ii) a person duly appointed by the Central Government or by an officer duly authorised in this behalf as authorised representative to appear, plead and act for the Commissioner or Administrator, in such proceedings;



**12.3 Central Electricity Regulatory Commission
APPEARANCE BY AUTHORISED REPRESENTATIVE.**

NOTIFICATION

No.8/ (1)/99/CERC.

New Delhi, the 27th August, 1999

Authority to represent before the Commission

(i) A person who is a party to any proceedings before the Commission may either appear in person or may authorise a legal practitioner or any other professional who is a member of a statutory body or any of its officers to present its case before the Commission and to do all or any of the acts for the purpose.

Explanation: A member of a statutory body means a practising Chartered Accountant, Company Secretary or Cost and Works Accountant.

(ii) A legal practitioner appearing and acting in the proceedings on behalf of any person before the Commission shall file a Vakalatnama, duly executed by or on behalf of the person for whom he appears.

(iii) Any person other than a legal practitioner representing a party before the Commission shall file a Memorandum of Appearance, in the form in Annexure I, duly signed by him.

12.4 Company Law Board Regulations, 1991 APPEARANCE BY AUTHORISED REPRESENTATIVE.

Regulation 19: Rights of a party to appear before the Bench – (1) Every party may appear before a Bench in person or through an authorized representative.

(2) A party may, in writing, authorize an Advocate or a Secretary-in-whole-time practice or a practising Chartered Accountant or practising Cost and Works Accountant, to function as a representative of such party. A company may appoint and authorise its Directors or Company Secretary to appear, in its behalf, in any proceedings before the Bench. The Central Government, the Regional Director or the Registrar may authorise an officer to appear in its behalf.

Regulation 18 (3): Where the petition is filed by the authorized representative, memorandum of appearance shall be appended to the petition (as in Form No. 5 in Annexure II).

The Form No. 5 is given below for ready reference.

**FORM NO. 5
(See regulation 18(3))
Memorandum of appearance**

To
The Bench Officer,
Company Law Board, Bench, In
the matter of Petitioner.

V.
.....Respondent
(C.P. NO.of 199.....)

Sir,

Please take notice that I, AB, Secretary in whole-time practice/ practising Chartered Accountant/ practising Cost & Works Accountant, duly authorised to enter appearance, and do hereby enter appearance, on behalf of petitioner/ opposite party/ Registrar/ Regional Director/ Government of in the above-mentioned petition.

*A copy of the resolution passed by the Board of Directors authorising me to enter appearance and to act for every purpose connected with the proceedings for the said party is enclosed, duly signed by me for identification.

Yours
sincerely,

Dated day of

Address:

Enclosure: as aforesaid



*Strike out if not applicable.

**12.5 The Competition Commission of India (CCI)
The Competition (Amendment) Act, 2007
APPEARANCE BEFORE COMMISSION**

Section 35: A person or an enterprise or the Director General may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of his or its officers to present his or its case before the Commission.

Explanation.—For the purposes of this section,—

(a) "chartered accountant" means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

(b) "company secretary" means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;

(c) "cost accountant" means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) and who has obtained a certificate of practice under subsection (1) of section 6 of that Act;

(d) "legal practitioner" means an advocate, vakil or an attorney of any High Court, and includes a pleader in practice.

Right to legal representation

Section 53(1): A person preferring an appeal to the Appellate Tribunal may either appear in person or authorize one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of its officers to present his or its case before the Appellate Tribunal.

(2) The Central Government or a State Government or a local authority or any enterprise preferring an appeal to the Appellate Tribunal may authorize one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of its officers to act as presenting officers and every person so authorized may present the case with respect to any appeal before the Appellate Tribunal.

(3) The Commission may authorize one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of its officers to act as presenting officers and every person so authorized may present the case with respect to any appeal before the Appellate Tribunal.

Explanation – The expressions "chartered accountant" or "company secretary" or "cost accountant" or "legal practitioner" shall have the meanings respectively assigned to them in the Explanation to section 35.

Notification

Extract Notification No 2 of The Competition Commission of India (General) Regulation, 2009

Regulation 46. Authorizing a representative to appear. – (1) Subject to the provisions of section 35 of the Act, in any proceeding, where the pleading is also signed by an authorized representative, the party shall append power of attorney or *Vakalatnama* in the manner specified authorizing the representative to appear for him or her or it, as the case may be.

(2) The authorized representative shall not be allowed to represent the party unless such power of attorney or *Vakalatnama* is filed before the Secretary before commencement of the ordinary meeting.

(3) No misconduct on the part of any authorized representative, appearing for and on behalf of any party



during continuance of a proceeding before the Commission shall be permitted and the Commission in appropriate circumstances, for reasons to be recorded in writing, may pass necessary orders debarbing the representative, guilty of misconduct, from appearing in the proceedings before the Commission in future or till such time as the Commission deems necessary.

(4) In the event of the misconduct being committed by any counsel, the Secretary, if so directed by the Commission shall forward a complaint to this effect in writing to the Bar Council of the State of which the legal practitioner is member or the Institute of Chartered Accountants of India or the Institute of Company Secretaries of India or the Institute of Cost and Works Accountants of India, as the case may be.

Explanation.—For the purpose of this regulation, word “misconduct” shall include causing prejudice to or interfering with or attempting to interfere with, the due process of any proceeding or obstructing or attempting to obstruct, the compliance or execution of any order or direction of the Commission, in any manner, or using defamatory language or behaving defiantly or attempting to undermine or undermining the prestige of any Member or Officer of the Commission in any manner whatsoever.

12.6 Income Tax

Income Tax (Income Tax Act, 1961)

APPEARANCE BY AUTHORISED REPRESENTATIVE.

Section 288 (1) Any assessee who is entitled or required to attend before any income-tax authority or the Appellate Tribunal in connection with any proceeding under this Act otherwise than when required under section 131 to attend personally for examination on oath or affirmation, may, subject to the other provisions of this section, attend by an authorised representative.

(2) For the purposes of this section, "authorised representative" means a person authorised by the assessee in writing to appear on his behalf, being –

- (i) A person related to the assessee in any manner, or a person regularly employed by the assessee; or
- (ii) Any officer of a Scheduled Bank with which the assessee maintains a current account or has other regular dealings; or
- (iii) Any legal practitioner who is entitled to practise in any civil court in India; or
- (iv) An accountant; or
- (v) Any person who has passed any accountancy examination recognised in this behalf by the Board; or
- (vi) Any person who has acquired such educational qualifications as the Board may prescribe for this purpose; or

(via) Any person who, before the coming into force of this Act in the Union territory of Dadra and Nagar Haveli, Goa, Daman and Diu, or Pondicherry, attended before an income-tax authority in the said territory on behalf of any assessee otherwise than in the capacity of an employee or relative of that assessee; or

- (vii) Any other person who, immediately before the commencement of this Act, was an income-tax practitioner within the meaning of clause (iv) of sub-section (2) of section 61 of the Indian Income-tax Act, 1922 (11 of 1922), and was actually practising as such.

Explanation: In this section, "accountant" means a chartered accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949), and includes, in relation to any State, any person who by virtue of the provisions of sub-section (2) of section 226 of the Companies Act, 1956 (1 of 1956), is entitled to be appointed to act as an auditor of companies registered in that State.

Definitions:

Rule 49. In this Part—

- a) “authorised income-tax practitioner” means any authorised representative as defined in clause (v) or clause (vi) or clause (vii) of sub-section (2) of section 288;
- b) “prescribed authority” means the prescribed authority referred to in rule 52;
- c) “register” means the register of income-tax practitioners referred to in rule 53.

Accountancy examinations recognised:



Rule 50. The following accountancy examinations are recognised for the purpose of clause (v) of sub-section (2) of section 288, namely :—

- (1) The National Diploma in Commerce awarded by the All-India Council for Technical Education under the Ministry of Education, New Delhi, provided the diploma-holder has taken Advanced Accountancy and Auditing as an elective subject for the Diploma Examination.
- (2) Government Diploma in Company Secretaryship awarded by the Department of Company Affairs, under the Ministry of Industrial Development and Company Affairs, New Delhi.
- (2A) Final Examination of the Institute of Company Secretaries of India, New Delhi.
- (3) The Final Examination of the Institute of Cost and Works Accountants of India constituted under the Cost and Works Accountants Act, 1959 (23 of 1959).
- (4) The Departmental Examinations conducted by or on behalf of the Central Board of Direct Taxes for Assessing Officers, Class I or Group 'A', Probationers, or for Assessing Officers, Class II or Group 'B', Probationers, or for promotion to the post of Assessing Officers, Class II or Group 'B', as the case may be.
- (5) The Revenue Audit Examination for Section Officers conducted by the Office of the Comptroller and Auditor General of India.

12.7 Securities Exchange Board of India (SEBI)

APPEARANCE BY AUTHORISED REPRESENTATIVE

Under CHAPTER IV of LISTING OF SECURITIES

Conditions for listing:

RIGHT TO LEGAL REPRESENTATIONS

22C. The appellant may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of its officers or present his or its case before the Securities Appellate Tribunal.

Explanation. - For the purposes of this section, -

- a. "chartered accountant" means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- b. "company secretary" means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- c. "cost accountant" means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- d. "legal practitioner" means an advocate, vakil or an attorney of any High Court, and includes a pleader in practice.

12.8 Service Tax

Service Tax Act, 1994

APPEARANCE BY AUTHORISED REPRESENTATIVE.

96D. Procedure on receipt of application.

96D. (5) On a request received from the applicant, the Authority shall, before pronouncing its advance ruling, provide an opportunity to the applicant of being heard, either in person or through a duly authorised representative.

Explanation. - For the purposes of this sub-section, "authorised representative" has the meaning assigned to it in sub-section (2) of section 35Q of the Central Excise Act, 1944. (1 of 1944).

12.9 Special Economic Zone (SEZ)

APPEARANCE BY AUTHORISED REPRESENTATIVE.

**SEZ Rules, 2006**

Rule 55. Form of Appeal — [1] Any person aggrieved by an order passed by the Approval Committee under section 15 or against cancellation of Letter of Approval under section 16, may prefer an appeal to the Board in the Form J.

Form - J

FORM FOR APPEAL
(See rule 55)
FOR OFFICIAL USE

Date:

1	Name of the applicant	
2	Address	
3	Name and address of the authority, whose decision or order is brought up in appeal	
4	Brief of the decision against which appeal is made	
5	Reason as to why the decision needs review	1. 2. 3.
6	Any other remarks	

Signature of the Appellant :

Name in Block Letters :

Designation :

Place: Tel. No. :

Date: E-mail Address :

Fax :

Documents to be enclosed with the appeal:

1. Copy of the decision/rejection letter
2. Demand Draft of Rs. 2,500/- in favour of Pay and Accounts Officer, Department of Commerce, New Delhi.

Rule 61. Rights of appellant to appear before the Board — Every appellant may appear before the Board in person or authorize one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of his or its officers to present his or its case before the Board.

Explanation: for the purpose of this rule,—

- a) “chartered accountant” means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- b) “company secretary” means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- c) “cost accountant” means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- d) “legal practitioner” means an advocate, vakil or an attorney of any High Court, and includes a pleader in practice.

12.10 Telecom Regulatory Authority of India (TRAI), 1997 APPEARANCE BY AUTHORISED REPRESENTATIVE.

17. Right to legal representation.—The applicant or appellant may either appear in person or authorize one or more Chartered Accountants or Company Secretaries or Cost Accountants or legal practitioners or any of its officers to present his or its case before the Appellate Tribunal.



Explanation— For the purposes of this section,—

- (a) 'Chartered Accountant' means a Chartered Accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- (b) 'Company Secretary' means a Company Secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- (c) 'Cost Accountant' means a Cost Accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959), and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- (d) 'Legal Practitioner' means an Advocate, vakil or an attorney of any High court, and includes a pleader in practice.

These have been included under relevant section of this Handbook. The Board of Central Excise and Customs (CBEC) has introduced Automation of Central Excise & Service Tax (ACES) for the assesses. In this regard, CBEC has entered into an MOU with ICWAI for setting up the Certified Filing Centres under ACES Scheme. The practising cost accountants will be able to provide the services to the taxpayers who may not have requisite IT infrastructure/ resources to use Automation of Central Excise and Service (ACES). These services will also be beneficial to the industry and they will not be required to visit the office of CBEC for Registration, Returns, etc. The salient featu

12.11 Value Added Tax (VAT)

APPEARANCE BY AUTHORISED REPRESENTATIVE.

Name of the State & Act Appearance Before Any Authority in Proceedings By Cost Accountant:-

Sl. No.	Name Of The State & Act	Appearance Before Any Authority in Proceedings By Cost Accountants
1.	The Assam Value Added Tax Act, 2003	Section-103 Appearance before any authority in
2.	Andhra Pradesh Value Added Tax Act,2005	Section-66
3.	Delhi Value Added Tax Act, 2004	Section-82
4.	Orissa Value Added Tax Act,2003	Section-91
5.	Kerala Value Added Tax Act,2003	Section-86
6.	Gujarat Value Added Tax Act,2003	Section-81
7.	Maharashtra Value Added Tax Act,2005	Section-82
8.	Goa Value Added Tax Act,2005	Section-82
9.	Tamil Nadu Value Added Tax Act,2006	Section78 & Rules 17
10.	Bihar Value Added Tax Act, 2005	Section 87
11.	Jammu & Kashmir value Added Tax Act,2005	Section 84

12.1.1 The Assam Value Added Tax Act, 2003

Section 103 Appearance before any authority in proceedings: (1) Any person who is entitled or required to



appear before any authority including the Appellate Tribunal in connection with any proceedings under this Act, otherwise than when required to appear personally for examination on oath or affirmation, may appear,-

- a. by his relative or a person regularly employed by him; or
- b. by a legal practitioner, Chartered Accountant or **Cost Accountant** who is not disqualified by or under subsection; or
- c. by a sales tax practitioner who possesses the prescribed qualifications and is entered in the list which the Commissioner shall maintain in that behalf, and who is not disqualified by or under sub-section(2);

only if such relative, person employed, legal practitioner, Chartered Accountant, Cost Accountant or sales tax practitioner is authorized by such person in the prescribed form, and such authorization may include the authority to act on behalf of such person in such proceedings.

- (2) The Commissioner may by an order in writing and for reasons to be recorded therein disqualify for such period as is stated in the order from appearing before any such authority, any legal practitioner, Chartered Accountant, Cost Accountant or sales tax practitioner,—
 1. who has been removed or dismissed from Government service; or
 2. Who being a sales tax practitioner, a legal practitioner, Cost Accountant or a Chartered Accountant is found guilty of misconduct in connection with any proceedings under this Act by the Commissioner or by an authority, if any, empowered to take disciplinary action against the member of the profession to which he belongs.
- (3) No order of disqualification shall be made in respect of any particular person unless he is given a reasonable opportunity of being heard.
- (4) Any person against whom any order of disqualification is made under this section may, within one month of the date of communication of such order, appeal to the Appellate Tribunal to have the order cancelled or modified. The order of the Commissioner shall not take effect, until one month of the making thereof or, when an appeal is preferred, until the appeal is decided.
- (5) The Commissioner may, at any time, suo-motu or on an application made to him in this behalf, revoke or modifies any order made against a person under sub-section (2) and thereupon such person shall cease to be disqualified subject to such conditions or restrictions as may be contained in such order.

12.1.2 Andhra Pradesh Value Added Tax Act, 2005

Section 66 Appearance before any authority in proceedings -Any person who is entitled to appear before any authority other than the High Court in connection with any proceedings under the Act, may be represented before such authority :-

- (a) by his relative or a person regularly employed by him, if such relative or person is duly authorized by him in writing in this behalf; or
- (b) by a legal practitioner; or
- (c) by a chartered Accountant within the meaning of the Chartered Accountant Act, 1949; or
- (d) by a Cost Accountant within the meaning of the Cost and Works Accountant Act of 1959.
- (e) Subject to such conditions as may be laid down by the rules in that regard by a person who was enrolled as a Sales Tax Practitioner by such authority on payment of such fees and possessing such qualification as may be prescribed.

If such Chartered Accountant or Cost Accountant or Sales Tax Practitioner is duly authorized in writing in this behalf.



12.1.3 Delhi Value Added Tax Act, 2004

Section 82 Appearance before any authority in proceedings – (1) Any person, who is entitled or required to attend before any authority in connection with any proceedings under this Act, may attend—

- (a) by a person authorized by him in writing in this behalf, being a relative or a person regularly employed by him; or
 - (b) by a legal practitioner or chartered accountant or cost accountant who is not disqualified by or under sub-section (2) of this section; or
 - (c) by a Value Added Tax practitioner who possesses the prescribed qualifications and is entered in the list, which the Commissioner shall maintain in that behalf, and who is not disqualified by or under sub-section (2) of this section.
- (2) The Commissioner may, for reasons to be recorded in writing, disqualify for a period from appearing before any such authority, any legal practitioner, chartered accountant or Value Added Tax practitioner-
- (a) Who has been dismissed from government service; or
 - (b) who, being a legal practitioner or chartered accountant, or cost accountant is found guilty of misconduct in connection with any proceedings under this Act by an authority empowered to take disciplinary action against the members of the profession to which he belongs; or
 - (c) Who, being a Value Added Tax practitioner, is found guilty of such misconduct by the Commissioner.
- (3) Any person who is disqualified under this section may, within one month of the date of disqualification, appeal to the Government to have the disqualification cancelled.
- (4) The decision of the Commissioner shall not take effect until one month of the making thereof or when an appeal is preferred, until the appeal is decided.
- (5) The Commissioner may, at any time, suo motu or on an application made to him in this behalf, revoke any decision made against any person under sub-section (2) of this section and thereupon such person shall cease to be disqualified.

Explanation. - A decision made by the Commissioner under this section may also be the subject of an objection under section 74 of this Act.

12.1.4 Orissa Value Added Sales Tax Act, 2004

Section 91 Appearance before any authority in proceedings- (1) Any person, who is entitled or required to appear before any authority in connection with any proceeding under this Act, may attend –

- (a) a person authorized by him in writing, being a relative or a person regularly employed by him ; or by a legal practitioner or chartered Accountant or a cost Accountant who is not disqualified by or under sub-section (2); or
 - (b) by a tax practitioner who possesses the prescribed qualification and is enrolled by the Commissioner for the purpose and who is not disqualified by or under sub-section (2).
- (2) The Commissioner may, by order in writing, for reasons to be recorded there in, disqualify for such period as may be stated in the order from attending before any such authority, any tax practitioner, legal practitioner, chartered Accountant or cost Accountant –
- (a) who has been removed or dismissed from Government service; or
 - (b) who, being a legal practitioner or chartered Accountant or cost Accountant, is found guilty of misconduct in connection with any proceeding under this Act by an authority empowered to take disciplinary action against the members of the profession to which he belongs; or
 - (c) Who, being a tax practitioner enrolled by the Commissioner, is found guilty of any misconduct.
- (3) No order of disqualification under sub-section (2) shall be made in respect of any particular person, unless he has been given a reasonable opportunity of being heard.
- (4) Any person against whom an order of disqualification is made under subsection (2) may, within one month of the date of communication of such order, appeal to the Government to have the order cancelled.



- (5) The order of the Commissioner shall not take effect until one month of the making thereof or, when an appeal is preferred, until the appeal is decided.
- (6) The Commissioner may, at any time, suo motu or on an application made to him in this behalf, revoke any order made against any person under sub-section (2) and there upon such person shall cease to be disqualified.

12.1.5 Kerala Value Added Tax Act, 2003

Section 86- Appearance before any authority in proceedings- (1) Any person who is entitled or required to appear before any authority other than the High Court in connection with any proceedings under this Act may be represented before such authority, -

- (a) by his relative or a person employed by him, if such relative or person is duly authorized by him in writing in this behalf; or
- (b) by a legal practitioner; or
- (c) by a chartered accountant **or cost accountant** duly authorized by him in writing in this behalf; or
- (d) by a sales tax practitioner possessing the prescribed qualifications and duly authorized by him in writing in this behalf.

Explanation: - For the purpose of this sub-section the expression "a person employed by him" shall mean a person who is a full time employee under the person on whose behalf he is appearing.

- (2) The authorization referred to in sub-section (1) shall be in such form and accompanied by such fee as may be prescribed.

12.1.6 Gujarat Value Added Tax Act, 2003

Section 81 Appearance before any authority in proceedings- (1) Any person, who is entitled or required to attend before any authority in connection with any proceedings under this Act, may attend,

- (a) by a person authorized by him in writing in this behalf, being a relative or a person regularly employed by him; or
 - (b) by a legal practitioner or Chartered Accountant or Cost Accountant who is not disqualified by or under sub-section (2) ; or
 - (c) by a sales tax practitioner who possesses the prescribed qualifications and is entered in the list, which the Commissioner shall maintain in that behalf, and who is not disqualified by or under sub-section (2).
- (2) The Commissioner may, by order in writing and for reasons to be recorded therein, disqualify for such period as is stated in the order from attending before any such authority, any legal practitioner, Chartered Accountant, Cost Accountant or sales tax practitioner-
 - (a) who has been removed or dismissed from Government service; or
 - (b) who being a legal practitioner or Chartered Accountant or Cost Accountant is found guilty of misconduct in connection with any proceedings under this Act by an authority empowered to take disciplinary action against the members of the profession to which he belongs; or
 - (c) Who being a sales tax practitioner is found guilty of such misconduct by the Commissioner.
 - (3) No order of disqualification shall be made in respect of any particular person unless he has been given a reasonable opportunity of being heard.
 - (4) Any person against whom an order of disqualification is made under this section may, within one month of the date of communication of such order, appeal to the State Government and the State Government may pass such order in appeal as it may think fit.
 - (5) The order of the Commissioner shall not take effect until one month of the making thereof or when an appeal is preferred, until the appeal is decided.
 - (6) The Commissioner may at any time suo-motu or on an application made to him in this behalf, revoke



any order made against any person under sub-section (2) and thereupon such person shall cease to be disqualified.

12.1.7 Maharashtra Value Added Tax Act, 2002

Section 82 Appearance before any authority in proceedings- (1) Any person, who is entitled or required to attend before any authority including the Tribunal in connection with any proceeding under this Act, otherwise than when required to attend personally for examination on oath or affirmation, may attend,—

- (a) by a relative or a person regularly employed by him, or
- (b) by a legal practitioner, Chartered Accountant or **Cost Accountant** who is not disqualified by or under sub-section (2), or
- (c) by a sales tax practitioner who possesses the prescribed qualifications and is entered in the list which the Commissioner shall maintain in that behalf, and who is not disqualified by or under subsection (2), or
- (d) any person who, immediately before the commencement of this Act was qualified to appear as a sales tax practitioner under any earlier law and who is not disqualified by or under sub-section (2), only if such relative, person employed, legal practitioner Chartered Accountant, Cost Accountant or sales tax practitioner is authorized by such person in the prescribed form, and such authorization may include the authority to act on behalf of such person in such proceedings.

Explanation—“A person regularly employed” means a person whose salary is regularly and periodically debited and recorded in the books of account of the dealer.

- (2) The Commissioner may, by order in writing and for reasons to be recorded therein, disqualify for such period as is stated in the order from attending before any such authority, any legal practitioner, Chartered Accountant, Cost Accountant or sales tax practitioner,—
 - (i) who has been removed or dismissed from Government service, or
 - (ii) who being a legal practitioner, a Chartered Accountant or a Cost Accountant is found guilty of misconduct in connection with any proceedings under this Act by an authority, empowered to take disciplinary action against the member of the profession to which he belongs, or
 - (iii) Who, being a sales tax practitioner, is found guilty of such misconduct by the Commissioner.
- (3) No order of disqualification shall be made in respect of any particular person unless he is given a reasonable opportunity of being heard.
- (4) Any person against whom any order of disqualification is made under this section may, within one month of the date of communication of such order, appeal to the Tribunal to have the order cancelled or modified.
- (5) The order of the Commissioner shall not take effect until one month of the service thereof or when an appeal is preferred until the appeal is decided.
- (6) The Commissioner may, at any time *suo motu* or on an application made to him in this behalf, revoke or modify any order made against any person under sub-section (2) and thereupon such person shall cease to be disqualified subject to such conditions or restrictions that may be contained in such order.

12.1.8 THE GOA VALUE ADDED TAX ACT, 2005

Section 82 Appearance before any authority in proceedings - (1) Any person, who is entitled or required to attend before any authority including the Tribunal in connection with any proceeding under this Act, may be represented

- (a) by a relative or a person regularly employed by him; or
- (b) by a legal practitioner, Chartered Accountant or Cost Accountant or Company Secretary who is not disqualified by or under sub-section (2); or
- (c) by a sales tax practitioner who possesses the prescribed qualifications and on payment of prescribed fees, and is entered in the list which the Commissioner shall maintain in that behalf, and who is not disqualified by or under sub-section (2); or



- (d) any person who, immediately before the commencement of this Act was a sales tax practitioner under any earlier law,
- only if such relative, person employed, legal practitioner, Chartered Accountant, Cost Accountant, Company Secretary or sales tax practitioner is authorized by such person in the prescribed form, and such authorization may include the authority to act on behalf of such person in such proceedings.
- (2) The Commissioner may, by order in writing and for reasons to be recorded therein, disqualify for such period as is stated in the order from attending before any such authority, any legal practitioner, Chartered Accountant, Cost Accountant, Company Secretary or sales tax practitioner—
- (i) who has been removed or dismissed from Government service; or
 - (ii) who being a sales tax practitioner, a legal practitioner or a Chartered Accountant, Cost Accountant, Company Secretary is found guilty of misconduct in connection with any proceedings under this Act by the Commissioner or by an authority, if any, empowered to take disciplinary action against the member of the profession to which he belongs.
- (3) No order of disqualification shall be made in respect of any particular person unless he is given a reasonable opportunity of being heard.
- (4) Any person against whom any order of disqualification is made under this section, may, within one month of the date of communication of such order appeal to the Tribunal to have the order cancelled or modified.
- (5) The order of the Commissioner shall not take effect until one month of the making thereof or when an appeal is preferred until the appeal is decided.
- (6) The Commissioner may, at any time, suo motu or on an application made to him in this behalf, revoke or modify any order made against a person under sub-section (2) and thereupon such person shall cease to be disqualified subject to such conditions or restrictions that may be contained in such order.

12.1.9 TAMIL NADU VALUE ADDED TAX ACT, 2006

An Act further to amend the Tamil Nadu Value Added Tax Act, 2006.

BE it enacted by the Legislative Assembly of the State of Tamil Nadu in the Sixty-third Year of the Republic of India as follows:—

1. (1) This Act may be called the Tamil Nadu Value Added Tax (Third Amendment) Act, 2012.
- (2) It shall come into force on such date as the State Government may, by notification, appoint.
2. In the Tamil Nadu Value Added Tax Act, 2006, after section 63, the following section shall be inserted, namely:—

63-A. Accounts to be audited in certain cases.—(1) Every registered dealer whose total turnover including zero-rate sale and sale in the course of inter-State trade or commerce as specified in section 3 of the Central Sales Tax Act, 1956 (Central Act 74 of 1956) in a year, exceeds one crore rupees, shall get his accounts in respect of that

year, audited by an Accountant and submit a report of such audit in the prescribed Form, duly signed and verified by the Accountant, to the Assessing authority, within such period as may be prescribed.

Explanation.—For the purpose of this section “Accountant” means, a Chartered Accountant as defined in the Chartered Accountants Act, 1949 (Central Act 38 of 1949) or a Cost Accountant as defined in the Cost and Works Accountants Act, 1959 (Central

Act 23 of 1959).

(2) If such registered dealer fails to get his accounts audited and submit a report of such audit within the prescribed period, as required in sub-section (1), the Assessing authority may, after giving a reasonable opportunity of being heard, direct such registered dealer to pay by way of penalty of sum of rupees ten thousand, in

addition to any tax payable, in respect of the said period: Provided that, this section shall not apply to the departments of Central and State Governments, local authorities, the railway administration as defined under



the Railways Act, 1989 (Central Act 24 of 1989), the Tamil Nadu State Road Transport Corporations and similar such registered dealers, as may be notified by the Government.

Section 78 Appearance before any authority in proceedings - Any person who is entitled to appear before any authority other than the High Court in connection with any proceedings under this Act may, subject to such conditions as may be prescribed, be represented before such authority –

- (a) by his relative or a person employed full time by him, if such relative or person is duly authorized by him in writing in this behalf; or
- (b) by a legal practitioner; or
- (c) by an Accountant or Value Added Tax Practitioner possessing the prescribed qualifications and duly authorized by him in writing in this behalf.

Tamil Nadu Value Added Tax Rule, 2007

Rule 17 Appearance by Authorized Representative - (1) The person specified in clauses (a) and (c) of section 78 appearing on behalf of a dealer or other person in any proceedings before any authority under the Act other than the High Court shall file before such authority an authorization given by the dealer or such person in Form SS.

- (2) (a) An Accountant appearing under clause (c) of section 78 shall be a Chartered Accountant as defined in the Chartered Accountants Act, 1949 (Central Act XXXVIII of 1949) or Cost Accountant as defined in the Cost and Works Accountants Act, 1959 (Central Act 23 of 1959).
- (b) No person shall be eligible to appear as a Value Added Tax Practitioner under clause (c) of section 78 unless his name has been included in the list in Form TT referred to in sub-rule (2) (v) and unless he has, –(i) passed any one of the following accountancy examinations recognized by the Central Board of Revenue constituted under the Central Board of Revenue Act, 1924 (Central Act IV of 1924), for the purpose of clause (v) of sub-section (2) of section 288 of the Income Tax Act, 1961 (Central Act 43 of 1961), namely:-
 - (A) The National Diploma in Commerce awarded by the All India Council for Technical Education, New Delhi, provided the diploma holder has taken Advanced Accountancy and Auditing as an elective subject for the Diploma Examination;
 - (B) Government Diploma in Company Secretary-ship awarded by the Department of Company Affairs under the Ministry of Industrial Development and Company Affairs, New Delhi;
 - (C) Final Examination of the Institute of Company Secretaries of India, New Delhi; or
 - (i) acquired a degree in Commerce, Corporate Secretary ship, Law, Economics or Banking including Higher Auditing or Business Administration or Business Management conferred by a University recognized by the University Grants Commission; or
 - (ii) retired or resigned from the Tamil Nadu Commercial Taxes Department and had been, at any time during his service in that Department, an assessing authority.

Provided that no person who was employed in the Tamil Nadu Commercial Taxes Department and has retired or resigned from such employment, shall be eligible for a period of two years from the date of retirement or from the date of acceptance of the resignation, as the case may be, to appear on behalf of a dealer or other person under clause (a) and as a Value Added Tax Practitioner under clause (c) of section 78 except before the Appellate Tribunal:

Provided further that the Government may, in respect of a retired officer of the Tamil Nadu Commercial Taxes Department, relax the above condition, for reasons to be recorded in writing.

- (c) Notwithstanding anything contained in clause (b), every Sales Tax Practitioner qualified under Section 52 of the Tamil Nadu General Sales Tax Act, 1959 and enrolled as a Sales Tax Practitioner under rule 50 (iv) of the Tamil Nadu General Sales Tax Rules, 1959 will be deemed to be a Value Added Tax Practitioner under this rule.
- (d) No person who has been dismissed or removed from Government service or who has been convicted for an offence under the Act or who has become an insolvent shall be eligible to



appear as a Value Added Tax Practitioner under clause (c) of section 78.

(e) (i) Every Value Added Tax Practitioner possessing the qualification prescribed in clause (b) shall have his name entered in the list maintained in Form TT by the Deputy Commissioner on an application in Form UU made by him in that behalf to the Deputy Commissioner.

(ii) The Deputy Commissioner shall upon any information received or otherwise, effect amendments in the said list as may be necessary by reason of any change of address or death of any practitioner or on request by any practitioner for removal of his name from the list.

(f) (i) If any Value Added Tax Practitioner is found guilty of misconduct in connection with any tax proceedings by the Deputy Commissioner of Commercial Taxes having jurisdiction or by the Appellate Tribunal, the Deputy Commissioner of Commercial Taxes or the Appellate Tribunal may direct that he shall henceforth be disqualified to represent any person under section 78, either permanently or for a specified period and shall remove his name from the said list:

Provided that no such direction shall be made unless the Value Added Tax Practitioner is given a reasonable opportunity of being heard.

12.11.10 Bihar Value Added Tax Act, 2005

Section 87 Appearance before taxing authorities.-Any person, who is required to appear before any authority appointed under section 10 or before the Tribunal or before an officer of the Bureau of Investigation constituted under section 86 in connection with any proceeding under this Act, may appear before such authority through- (a) a person authorized in the prescribed manner by him in this behalf, being his relative or person in his regular and whole time employment, (b) a sales tax practitioner who possesses the prescribed qualifications; or (c) a legal practitioner, or (d) subject to such conditions as may be prescribed, a chartered accountant, or company secretary, or cost accountant. Explanation.- For the purposes of this section,-

- (a) "chartered accountant" means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- (b) "company secretary" means a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act;
- (c) "cost accountant" means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) and who has obtained a certificate of practice under sub-section (1) of section 6 of that Act; (d) "legal practitioner" means an advocate, vakil or an attorney of any High Court, and includes a pleader in practice.

12.11.11 Jammu & Kashmir Value Added Tax Act, 2005

Section 84 Appearance before any authority in proceedings -(1) Any person who is entitled or required to attend before any authority including the Tribunal in connection with any proceeding under the Act, otherwise than when required to attend personally for examination on oath or affirmation, may authorize in prescribed form –

- (a) any relative or other person regularly employed by him;
- (b) any legal practitioner, or Chartered Accountant or Cost and Works Accountant who is not disqualified by or under sub section(2);
- (c) any sales tax practitioner who possesses the prescribed qualifications and is entered in the list which the Commissioner shall maintain in that behalf and who is not disqualified by or under sub section(2);or
- (d) any person, who immediately before the commencement of the Act was a sales tax practitioner under any earlier law, to attend before such authority and to act on behalf of such person in such proceedings.

(2) The Commissioner may by an order in writing and for reasons to be recorded therein disqualify any such



person as is stated in the order from attending before any such authority -

- (i) who has been removed or dismissed from Govt. service ; or
 - (ii) who being a sales tax practitioner, a legal practitioner or a Chartered Accountant or Cost and Works Accountant is found guilty of misconduct in connection with any proceedings under the Act by the Commissioner or by an authority, if any, empowered to take disciplinary action against the member of the profession to which he belongs.
- (3) No order of disqualification shall be made under sub-section (2) in respect of any person unless he is given a reasonable opportunity of being heard.
- (4) The Commissioner may, at any time suo motu or on an application made to him in this behalf, revoke or modify any order made against any person under sub -section (2) and thereupon such person shall cease to be disqualified subject to such conditions or restrictions as may be contained in such order.

12.12 Provisions of Companies Bill, 2012

Lok Sabha has passed Companies Bill 2012 on 18th December 2012. The bill is yet to be passed by the Rajya Sabha. The following clauses are relevant to Cost Accountants:

Company Bill 2012 - provisions specifically relevant to Cost Accountants

Incorporation of company

Clause 7(b) a declaration in the prescribed form by an advocate, a chartered accountant, **cost accountant** or company secretary in practice, who is engaged in the formation of the company, and by a person named in the articles as a director, manager or secretary of the company, that all the requirements of this Act and the rules made there under in respect of registration and matters precedent or incidental thereto have been complied with;

Appointment of administrator

Clause 259 (1) The interim administrator or the company administrator, as the case may be, shall be appointed by the Tribunal from a databank maintained by the Central Government or any institute or agency authorised by the Central Government in a manner as may be prescribed consisting of the names of company secretaries, chartered accountants, **cost accountants** and such other professionals as may, by notification, be specified by the Central Government.

Company Liquidators and their appointments.

Clause 275 (1) For the purposes of winding up of a company by the Tribunal, the Tribunal at the time of the passing of the order of winding up, shall appoint an Official Liquidator or a liquidator from the panel maintained under sub-section (2) as the Company Liquidator.

(2) The provisional liquidator or the Company Liquidator, as the case may be, shall be appointed from a panel maintained by the Central Government consisting of the names of chartered accountants, advocates, company secretaries, **cost accountants** or firms or bodies corporate having such chartered accountants, advocates, company secretaries, **cost accountants** and such other professionals as may be notified by the Central Government or from a firm or a body corporate of persons having a combination of such professionals as may be prescribed and having at least ten years' experience in company matters.

Provision for professional assistance to Company Liquidator.

Clause 291 (1) The Company Liquidator may, with the sanction of the Tribunal, appoint one or more chartered accountants or company secretaries or **cost accountants** or legal practitioners or such other professionals on such terms and conditions, as may be necessary, to assist him in the performance of his duties and functions under this Act.

Power to order examination of promoters, directors, etc

300 (4) A person ordered to be examined under this section—

- (a) shall, before his examination, be furnished at his own cost with a copy of the report of the Company Liquidator; and



(b) may at his own cost employ chartered accountants or company secretaries or **cost accountants** or legal practitioners entitled to appear before the Tribunal under section 432, who shall be at liberty to put to him such questions as the Tribunal may consider just for the purpose of enabling him to explain or qualify any answers given by him.

Qualification of President and Members of Tribunal

Clause 409 (3) A person shall not be qualified for appointment as a Technical Member unless he—

- (a) has, for at least fifteen years been a member of the Indian Corporate Law Service or Indian Legal Service out of which at least three years shall be in the pay scale of Joint Secretary to the Government of India or equivalent or above in that service; or
- (b) is, or has been in practice as a chartered accountant for at least fifteen years; or
- (c) is, or has been, in practice as a **cost accountant** for at least fifteen years; or
- (d) is, or has been, in practice as a company secretary for at least fifteen years; or
- (e) is a person of proven ability, integrity and standing having special knowledge and experience, of not less than fifteen years, in law, industrial finance, industrial management or administration, industrial reconstruction, investment, accountancy, labour matters, or such other disciplines related to management, conduct of affairs, revival, rehabilitation and winding up of companies; or (f) is, or has been, for at least five years, a presiding officer of a Labour Court, Tribunal or National Tribunal constituted under the Industrial Disputes Act, 1947.

Right to legal representation.

Clause 432 A party to any proceeding or appeal before the Tribunal or the Appellate Tribunal, as the case may be, may either appear in person or authorise one or more chartered accountants or company secretaries or **cost accountants** or legal practitioners or any other person to present his case before the Tribunal or the Appellate Tribunal, as the case may be.

SECTION II

CHAPTER 13-CHAPTER 18



Chapter-13

Consultancy and Certification Areas

The Cost Accountants in practice have several areas where they can render consultancy services and also have certification work under various Central Government Departments and Regulatory Authorities. The Consultancy and Certification areas under various Acts and Rules have been segregated Ministry-wise and Regulatory Authority wise and elaboration for such areas have given in the next chapter.

A. Central Government

(a) Ministry of Finance

- Central Excise
- Customs
- Duty Draw Back Scheme under Export Promotion Scheme
- Estate Duty
- Wealth Tax
- Certified Facilitation Centres (CFCs) under ACES Scheme of CBEC

(b) Ministry of Commerce

- Foreign Trade Policy and Procedures (Certification of various Forms)
- Software Technology Park of India (STPI)
- WTO-Anti-Dumping
- Special Economic Zone (SEZ)

(c) Ministry of Corporate Affairs

- Certified Filing Centres (CFCs) under MCA21
- e-Filing and Certifying various e-forms to be filed with ROC under Companies Act, 1956 and Rules thereof
- e-Filing and Certifying various e-forms to be filed with ROC under LLP Act and Rules thereof

(d) Ministry of Consumers Affairs, Food and Public Distribution

- Sugar Industry
- Certification of Various Forms for Establishment of Sugar Factory
- Certification of Various Forms for Fixation of Levy Sugar Prices

(e) Ministry of Textile

- Certification of various Forms under Hank Yarn Packing Scheme

B. Regulatory Authorities

(a) Fertilizer Industry Coordination Committee (FICC)

- Certification of various Forms in ACD-1 to ACD 10A under Stage III of New Retention Price Scheme
- Certification of Quarterly/ Annual Escalation/De-Escalation Claim of Variable Inputs under New Pricing Policy in various Forms ESC/GC-1 to ESC/GC-11
- Certification of Annual Technical Operating Data in Forms T-OP-1 to T-OP-20
- Certification of claims with respect to Addition of VAT in Forms ACTN-1 and ACTN-2
- Certification of Monthly Claims in Annexures as follows:
 - i) Annexures I showing the amount claimed for the month.
 - ii) Annexure II showing complete reconciliation of stocks of urea.



- iii) Annexure IIA showing complete reconciliation of stocks eligible for subsidy for a particular month.
- iv) Annexure IX – Statement of Production, despatches and sales for the month.
- v) Annexure X – Details of state-wise, District-wise despatches of urea.
- Certification of many other specific information being asked by FICC at their discretion e.g. Natural Gas, Bags, Repair & Maintenance, Salaries & Wages etc. All such data are required to be certified before submission to FICC

(b) National Pharmaceutical Pricing Authority (NPPA)

- Certification of various Forms under Second Schedule of Drugs (Prices Control) Order, 1995

(c) Insurance Regulatory Development Authority (IRDA)

- Licensing of Surveyor and Loss Assessor

(d) Telecom Regulatory Authority of India (TRAI)

- Telecom Commission
- Department of Telecommunications
- Telecom Regulatory Authority of India
- Telecom Dispute Settlement & Appellate Tribunal
- Reporting and Audit for System on Accounting Separation
- Audit for Metering and Billing Accuracy

(e) Central Electricity Regulatory Commission (CERC)

- Role of Cost Accountants in Power Sector
- Certification Work

(f) Other Regulatory Authorities

- Reserve Bank of India (RBI)
- Securities Exchange Board of India (SEBI)
- Competition Commission of India (CCI)
- Board for Industrial and Financial Reconstruction (BIFR)



Chapter-14

Ministry Of Finance

Under the Ministry of Finance, the following Circulars, Acts and Rules provide certification scope for cost accountants in practice:

14.1 Central Excise & Customs

14.1.1 Refund of 4% Additional Duty of Customs (4% CVD)

Circular No 01/ 2012-Customs

F.No.401/46/2008-Cus.III
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs

North Block, Room No. 253-A,
New Delhi, the 5th January 2012.

To,

All Chief Commissioners of Customs / Customs (Prev.).

All Chief Commissioners of Customs & Central Excise.

All Commissioners of Customs / Customs (Prev.).

All Commissioners of Customs & Central Excise.

Subject: Refund of 4% Additional Duty of Customs (4% CVD) in terms of Notification No. 102/2007-Customs dated 14.09.2001-regarding.

Sir / Madam,

Your kind attention is invited to the Circular No. 18/2010-Customs dated 8th July, 2010), vide which Board has simplified procedure for sanction of refund of 4% SAD in case of ACP importers. Vide Para 4.1 (d) of the Circular No.18/2010-Customs, dated 08.07.2010 it was provided that the amount of 4% CVD refund shall be sanctioned in full, on preliminary scrutiny of the documents and certificate of statutory auditor/Chartered Accountant, for correlating the payment of ST/VAT on the imported goods with the invoices of sale and also to the effect that the burden of 4% CVD has not been passed on by the importer to the buyer. However, as Para 6 of the said Circular only Chartered Accountant can issue a certificate that incidence of burden of 4% CVD has not been passed on by the importer to the buyer.

2. Representations have been received in the Board for amending Para 6 of the said Circular to make it in consonance to Para 4.1 (d) ibid to enable Cost Accountants to issue the Certificates as statutory auditors for the purpose of refund of 4% CVD.

3. The matter has been examined in the Board. Board noted that the Circular No.18/2010-Customs dated 08.07.2010 disentitles Cost Accountants in regard to issue of requisite certificate though they may be statutory auditors of the importer. Board also observed that several States currently recognize Cost Accountants for purpose of VAT audit and it would be a hardship to trade already using statutory auditors/Cost Accountants to get required certificate for amount of 4% refund from Chartered Accountants. Therefore, as a measure to facilitate the trade Board has approved the amendment of the Circular No.18/2010 Customs dated 08.07.2010 so as to authorize Statutory Auditors/ Cost Accountants/ Chartered Accountants to issue a certificate, certifying that burden of 4% CVD has not been passed on by the importers to any other person.

4. Accordingly, para 4.1(d) and Para 6 of Board Circular No.18/2011-Customs, dated 08.07.2010, stands modified to above extent.

5. Suitable Public Notices or standing orders may be issued to guide the trade / industry and officers.



(Vikas)

Under Secretary (Customs-III/VI)

14.1.2 Valuation Of Goods Captively Consumed.**F.No.6/29/2002-CX.I**

Government of India

Ministry of Finance and Company Affairs

Department of Revenue

Circular No. 692/08/2003-CX13th February, 2003**Subject: - Valuation of goods captively consumed.**

I am directed to say that on introduction of Central Excise Valuation (Determination of Price of Excisable goods) Rules, 2000, w.e.f. 1.7.2000, it was clarified by the Board vide Circular No.354/8 1/2000-TRU dated 30.6.2000 (Para 21) that for valuing goods which are captively consumed, the general principles of costing would be adopted for applying Rule 8. The Board has interacted with the Institute of Cost Accountants of India for developing costing standards for costing of captively consumed goods.

(2) The Institute of Cost Accountants of India has since developed the Cost Accounting Standards, CAS 2, 3 and 4, on capacity determination, overheads & cost of production for captive consumption, respectively, which were released by the Chairman, CBEC on 23.1.2003.

(3) It is, therefore, clarified that cost of production of captively consumed goods will henceforth be done strictly in accordance with CAS-4. Copies of CAS-4 may be obtained from the local Chapter of the Institute of Cost and Works Accountants of India.

(4) Board's Circular No.258/92/96-CX dated 30.10.96, may be deemed to be modified accordingly so far as it relates to determination of cost of production for captively consumed goods.

(5) This Circular may be brought to the notice of the field formations.

(6) Suitable Trade Notices may be issued for the benefit of the Trade.

(7) Hindi version will follow.

(8) Receipt of these instructions may be acknowledged.

14.1.3 Special Audit under Section 14A & Section 14AA of Central Excise Act, 1944

The Special Audit prescribed under Section 14A & Section 14AA of Central Excise Act, 1944 has been covered under Chapter- **Excise, Customs and Rubber Board Audit**.

14.1.4 Appearance as Authorised Representative under Central Excise Act, 1944

Appearance as authorised representative prescribed under Section 35Q of Central Excise Act, 1944 and Rule 12 of Central Excise Appeals Rules, 2001 has been covered under Chapter 12-**Appearance as Authorised Representative**.

14.1.5 Appearance as Authorised Representative under Service Tax Act, 1994

Appearance as authorised representative prescribed under Section 96D (5) of Service Tax Act, 1994 has been covered under Chapter-**Appearance as Authorised Representative**.

14.1.6 Appearance as Authorised Representative under Customs, Excise and Gold (Control) Appellate Tribunal (Procedure) Rules, 1982

Authorised Representative under Customs, Excise and Gold (Control) Appellate Tribunal means a person authorised by the person referred to in sub-section (1) of section 146A of the Customs Act, or as the case may be, sub-section (1) of section 35Q of the Central Excises Act or sub-section (1) of section 10 1A of the Gold (Control) Act. This has also been covered under Chapter-**Appearance as Authorised Representative**

14.1.7 Circular Regarding Instructions on Customs valuation (Determination of Value of Export Goods) Rules, 2007



A.

F. No. 467/35/2007-Cus-V
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs
New Delhi

Customs Circular No-37/2007-CUS.

Dated 9.10.2007

Customs valuation (Determination of Value of Export Goods) Rules, 2007- Instructions - reg.

1. Your attention is invited to section 95 of the Finance Act, 2007 which substitutes the existing section 14 of the Customs Act, 1962. The new section 14 of the Customs Act, 1962 shall come into force with effect from 10-10-2007 in terms of Notification No 93/2007-Customs (NT) dated 13th September, 2007. The Export Valuation Rules, i.e., Customs Valuation (Determination of Value of Export Goods) Rules, 2007 made under the provisions of section 14 of the Customs Act, 1962, have been notified vide Notification No 95/2007-Customs (NT) dated 13-9-2007 and the same shall also come into force with effect from 10-10-2007.

2. The Customs Valuation (Determination of Value of Export Goods) Rules 2007 have been framed in a format similar to the Valuation Rules for the imported goods. Conceptually also, acceptance of

Transaction Value for export goods has been emphasized in the said rules, in as much as Rule 3 specifically provides for it.

3. Rule 3 of the said rules also stipulates that the Transaction Value for export goods shall be accepted even where buyer and seller are related, provided that the relationship did not influence the price of the goods. Where the relationship is found to influence the price, as determined by the proper officer on receipt of further information from the exporter, the value of the export goods shall be determined by proceeding sequentially through rules 4 to 6 of the said Valuation Rules. The persons who shall be deemed to be 'related' have been specified in Rule 2(2) of the said Valuation Rules, and this provision has been adopted from the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007.

4. Thus transaction value is the primary basis for valuation of export goods and the method specified under Rule 3 will be applicable in the vast majority of cases of export by acceptance of declared value. In cases where the transaction value is not accepted, the valuation of the export goods shall be done by application of Rules 4 to 6 sequentially.

5. Acceptance of transaction value is, however, subject to the provision of Rule 8 which provides for rejection of declared value for the export goods in certain exceptional cases. These are situations where the assessing officer has reasons to doubt the truth or accuracy of the declared value and further enquiry or investigation is needed to determine the appropriate value. It is hereby instructed that when an investigation / enquiry is undertaken to determine whether or not the Declared Value should be accepted as Transaction Value, the export consignment shall not be ordinarily detained. Wherever there are doubts about the declared value of the export goods, the proper officer shall retain representative sealed samples, wherever considered necessary and feasible, and allow the goods to be exported after due processing. However, it is clarified that in a situation of serious violation such as outright misdeclaration of goods, attempt to export the goods unauthorisedly, i.e., smuggle the goods out of the country, or where there is forgery or fraudulent documentation, the goods may be detained or seized as required. No export consignment shall be detained for reasons of doubts regarding valuation without the approval of the jurisdictional Commissioner of Customs.

6. An 'Explanation' relating to rejection of declared value of export goods has been added to Rule 8 to bring clarity and objectivity in exercising the authority for rejection of declared value. The Explanation clarifies that this rule as such does not provide a method for determination of value, and that it merely provides a mechanism and procedure for rejection of declared value of export goods in certain cases. It also clarifies that where the proper officer is satisfied after consultation with the exporter, the declared value shall be accepted. This Explanation also gives certain illustrative reasons which could form the basis for having doubt about the truth or accuracy of the declared value.



7. While raising doubt about truth or accuracy of the declared value in terms of Rule 8, the proper officer shall issue a query memo specifying reasons for such doubt. Meanwhile, the goods will be released for export against a simple undertaking after drawal of representative sample as indicated in para 5. The decision to initiate the process of investigation into valuation aspects, if any, shall be taken at the earliest at the level of Joint /Additional Commissioner.

8. In a case where transaction value cannot be determined or the declared value is rejected under Rule 8, and export value has to be determined by comparison in terms of Rule 4, the proper officer shall take utmost care in selecting an export product for an in-depth inquiry. The proper officer will make the adjustments objectively on the basis of the relevant factors, some of which have been illustrated at sub rule (2) of Rule 4.

9. Where the value has to be determined by Computed value method under Rule 5, the proper officer shall give due consideration to the cost-certificate issued by a **Cost Accountant** or Chartered Accountant or Government approved valuer, as produced by the exporter.

10. It is clarified that the main purpose of introducing the Export Valuation Rules is to provide for a sound legal basis for the valuation of export goods. It is also expected to check deliberate overvaluation of export goods and mis-utilization of value based export incentive schemes. At the same time due care has to be taken to facilitate the movement of bonafide export goods which is vital for the country's economic growth. The assessing officers shall, therefore, exercise due caution to avoid unnecessary queries regarding truth or accuracy of the declared export value. The Export Valuation Rules are not intended to bring about any significant change in the existing pattern of valuation of export goods. It is the responsibility of the supervisory officers to monitor regularly the export valuation practices, so as to ensure proper implementation of the said Valuation Rules without hindering the flow of bona fide export goods.

11. Rule 7 of the Export Valuation Rules calls for a declaration relating to the value to be filed by the exporter. A declaration format for this purpose has been designed and the same is enclosed as Annexure-A. Since it may be sometime before the format is notified to the trade by the respective Commissionerates, care should be taken to ensure that no export consignments are held up for want of such declaration which may for the time being be obtained subsequent to exports. The filing of the declaration along with the shipping bill should however be enforced with effect from 12th November 2007.

12. The contents of this Circular may be brought to the notice of the field formations and the Trade under your jurisdictions.

13. Difficulties faced, if any, in implementation of the Circular may please be brought to the notice of the Board at an early date.

14. Please acknowledge receipt.

15. Hindi version follows.

F. No. 467/35/2007-CusV

Yours faithfully

(M. K. Singh)

Director (ICD)

Annexure-A

EXPORT VALUE DECLARATION

(See Rule 7 of Customs Valuation (Determination of Value of Export Goods) Rules, 2007.)

1. **Shipping Bill No. & Date:-**
2. **Invoice No. & Date:-**
3. **Nature of Transaction are related**

Sale Sale on Consignment basis Gift



Sample Other

4. Method of Valuation Rule 3 Rule 4 Rule 5 Rule 6

(See Export Valuation Rules)

5. Whether seller and buyer are related: Yes No

6. If yes, whether relationship has influenced price: Yes No

7. Terms of Payment

8. Terms of Delivery

9. Previous exports of identical/ similar goods, if any

Shipping Bill No. and date:

10. Any other relevant information (Attach separate sheet, if necessary)

DECLARATION

1. I/We hereby declare that the information furnished above is true, complete and correct in every respect.
2. I/We also undertake to bring to the notice of proper officer any particulars which subsequently come to my/our knowledge which will have bearing on a valuation.

Place:

Date:

SIGNATURE OF THE EXPORTER

NAME OF THE SIGNATORY

B.

**OFFICE OF THE COMMISSIONER OF CUSTOMS NEAR AKASHWANI:
NAVRANGPURA: AHMEDABAD – 380 009**

Website:ahmedabadcustoms.gov.in **E-Mail:** cusahmed@guj.nic.in

F.No.VIII/48-230/Cus/T/2007

Dated: 10th October, 2007.

STANDING ORDER NO. 51 / 2007

**Sub: Customs Valuation (Determination of Value of Export Goods) Rules, 2007-
Instructions - Regarding**

Attention of all the field formations and officers posted in this Commissionerate, is invited to the Standing Order No. 44/2007 dated 21.09.2007, issued by this Commissionerate from even File Number, vide which the Export Valuation Rules, i.e., Customs Valuation (Determination of Value of Export Goods) Rules, 2007, which have come into force on 10th of October, 2007, were circulated.

2. The Board has since issued another Circular No. 37/2007-Customs dated 09.10.2007, issued from F.No. 467/35/2007-Cus.V, by the Director (ICD), Central Board of Excise & Customs, New Delhi, on the above subject, a copy of which is enclosed herewith for information, guidance and necessary action.



3. Vide above mentioned Circular, Board has issued certain clarifications with regard to Export Valuation Rules, i.e., Customs Valuation (Determination of Value of Export Goods) Rules, 2007. It has been further clarified that the main purpose of introducing the Export Valuation Rules is to provide for a sound legal basis for the valuation of export goods. It is also expected to check deliberate overvaluation of export goods and mis-utilization of value based export incentive schemes. At the same time due care has to be taken to facilitate the movement of bonafide export goods which is vital for the country's economic growth. The assessing officers shall, therefore, exercise due caution to avoid unnecessary queries regarding truth or accuracy of the declared export value. The Export Valuation Rules are not intended to bring about any significant change in the existing pattern of valuation of export goods. It is the responsibility of the supervisory officers to monitor regularly the export valuation practices, so as to ensure proper implementation of the said Valuation Rules without hindering the flow of bona fide export goods.
4. Further vide Rule 7 of the Export Valuation Rules calls for a declaration relating to the value to be filed by the exporter. A declaration for this purpose has been designed and the same is enclosed as Annexure-A. Since it may be sometime before the format is notified to the trade by the respective Commissionerates, care should be taken to ensure that no export consignments are held up for want of such declaration which may for the time being be obtained subsequent to exports. The filling for the declaration along with the Shipping Bill should however be enforced with effect from 12th November, 2007.
5. All the field formations and the officers & staff posted in this Commissionerate are directed to take note of the instructions contained in the said Circular dated 09.10.2007, for their information, guidance and strict compliance. Difficulties, if any, in implementation of this Circular may be brought to the notice of this Office, immediately.

(RAKESH KUMAR SHARMA)
COMMISSIONER OF CUSTOMS

Encl : As Above.

Copy to : As per Mailing List.

14.1.8 Special Audit under Section 11 of Customs Act, 1962

The Special Audit prescribed under Section 11 of Customs Act, 1962 has been covered under Chapter 11- **Excise, Customs and Rubber Board Audit** .

14.1.9 Appearance as Authorised Representative under Customs Act, 1962

Appearance as Authorised representative prescribed under Section 146A of Customs Act, 1962 and Rule 9 of customs Appeals Rules, 1982 has been covered under Chapter 12-**Appearance as Authorised Representative** .

14.1.10 Export Promotion Schemes

1. Duty Drawback Scheme:

Under Duty Drawback Scheme relief of Customs and Central Excise Duties suffered on the inputs used in the manufacture of export product is allowed to Exporters. The admissible duty drawback amount is paid to exporters by depositing it into their nominated bank account. Section 75 of the Customs Act, 1962 and Section 37 of the Central Excise Act, 1944, empower the Central Government to grant such duty drawback. Customs and Central Excise Duties Drawback Rules, 1995 have been framed outlining the procedure to be followed for the purpose of grant of duty drawback (for both kinds of duties suffered) by the Customs Authorities processing export documentation.

2. Under Duty Drawback Scheme, an exporter can opt for either All Industry Rate (AIR) of Duty Drawback Scheme or brand rate of Duty Drawback Scheme. Major portion of Duty Drawback is paid through AIR duty Drawback Scheme which essentially attempts to compensate exporters of various export commodity for average incidence of customs and Central Excise duties suffered on the inputs used in their manufacture.



Brand rate of duty drawback is granted in terms of rules 6 & 7 of Customs and Central Excise Duties Drawback Rules, 1995 in cases where the export product does not have any AIR or duty drawback rate, or where the AIR duty drawback rate notified is considered by the exporter insufficient to compensate for the Customs/Central Excise duties suffered on inputs used in the manufacture of export products. For goods having an AIR the brand rate facility to particular exporters is available only if it is established that the compensation by AIR is less than 80% of the actual duties suffered in the manufacture of the export goods.

3. Duty Drawback facilities on re-export of duty paid goods is also available in terms of Section 74 of Customs Act, 1962. Under this Scheme part of the customs duty paid at the time of import is remitted on re-export of the goods subject to identification and prescribed procedure being followed.

A. Scheme for All Industry Rate (AIR) of Duty Drawback:

4. AIR of Duty Drawback for a large number of export products are notified every year by the Government after an assessment of average incidence of Customs and Central Excise duties suffered on Inputs utilized in the manufacture of export products. This facility is generally availed by the exporters as no proof of actual duties suffered on inputs used is required to be produced.

5. After announcement of Union Budget every year, new AIR of drawback are notified every year usually with effect from 1st June, after factoring in the changes in duty rates effected by the budget. The Directorate of Drawback requests all Export Promotion Councils/Associations, etc. to collect, collate and furnish representative data in respect of the existing export products as also for any new product which the Councils feel have sufficient export from the country. After the announcement of the Budget various Export Promotion Council/Associations are also consulted by the Joint Secretary (Drawback), and their suggestions as well as their requests and justification for suitable enhancement of rates and also any changes sought in the scheme of the Drawback Table or the entries therein are taken note of while finalizing and announcing new AIRs.

6. The AIRs are generally fixed as a percentage of FOB price of export product. Often very good export prices are obtained for a product or class of products which have no co-relation with the actual duties suffered on inputs used – which is sought to be refunded to Exporters as drawback. In order to safeguard Government revenue but also be fair to exporters, reasonable duty drawback caps have been imposed in respect of many export products having rates on FOB basis. These caps essentially reflect the average duty incidence suffered on the inputs used in the manufacture of the particular goods exported by several exporters with different prices and they are fixed on the basis of data supplied by the export promotion councils and collected by Directorate from other sources.

7. The duty drawback claim scrutiny, sanction and payment in 23 Custom Houses is now done through the Electronic Data Interchange (EDI) System. This system facilitates credit/disbursal of drawback within 72 hours from the date of shipment and electronic filing of Export General Manifest (EGM) in respect of related aircraft/vessel, directly to the exporter's, accounts in the specified bank branches.

8. Customs Circular Nos. 27/2012- Custom dated 5th October 2012 and notification no. 92/2001 (NT) dated 10th October 2012 may be referred for ascertaining the details of current All Industry Rates of drawback for various export products. Copy of the circular is reproduced below.

Circular No. 27 / 2012-Customs

F. No. 609/110/2012-DBK

Government of India
Ministry of Finance, (Department of Revenue)
Central Board of Excise & Customs

New Delhi, dated 5th October, 2012

To
All Chief Commissioners of Customs/Customs (Prev.)
All Chief Commissioners of Central Excise/Customs & Central Excise
All Director Generals under CBEC



All Commissioners of Customs/Customs (Prev)
All Commissioners of Central Excise/Customs & Central Excise

Subject: All Industry Rates of Duty Drawback 2012-13 - Reg.

Ma'am/Sir,

The Ministry has notified the All Industry Rates (AIR) of Duty Drawback 2012-13 vide Notification No. 92 / 2012- Customs (N.T.), dated 4.10.2012. The notification shall come into force on 10th October, 2012.

2. As in previous years, the drawback rates have been determined on the basis of certain broad parameters including, inter alia, prevailing prices of inputs, Standard Input Output Norms, share of imports in the total consumption of inputs, FOB value of export goods, the applied rates of central excise and customs duties, the factoring of incidence of service tax paid on taxable services which are used as input services in the manufacturing or processing of export goods, factoring incidence of duty on HSD/Furnace Oil.
3. Some of the broad aspects, from amongst the changes notified with respect to AIR of duty drawback and entries in the Schedule, are –
 - (a) Most, but not all, of the items that were already covered under the duty drawback schedule prior to 1.10.2011 [that is, before last year's (2011-12) duty drawback schedule was issued] will see an increase from the existing AIR. Some of the items that will see a reduction in AIR include leather trunks and handbags, wool yarn and fabric, gaskets (84.84), lawn tennis balls, cricket balls, felt tipped/porous tipped pens and markers, goods of heading 90.02 to 90.05.
 - (b) In continuation of a transitory arrangement, most of the items incorporated in last year's (2011-12) duty drawback schedule, from the erstwhile DEPB scheme, will see a reduction in the AIR rates.
 - (c) The existing residuary rate of 1% ad valorem (all customs) will now be either 1% composite rate with 0.3% customs component, or it will see an increase to 1.5% (customs component) or 2% (customs component).
 - (d) With certain exceptions, the drawback caps have not been assigned where the higher of the composite rate/customs component of the rate is 3.5% or lower. Where the AIR will be above 3.5%, not every entry has been assigned the drawback caps. Where drawback caps have been assigned, these will by and large see a relative increase.
 - (e) In certain cases separate tariff entries have been created, as for calcined bauxite, silicon dioxide, gauze swabs, dairies with leather covers, leather insoles, sarees with or without blouse piece under chapters 50, 52 and 54, women's/girl's blouses with tightening at the bottom, footwear with TPR/PU soles and canvas uppers, worked human hair, imitation jewellery made up of iron, motor cars with manual transmission, motor cars with automatic transmission, multi-speed bicycles etc. Under heading 3004 (medicaments), dosage and pack-size specifications for many items have been removed. Composite rates have been assigned in a few cases such as under heading 7321, 7415 and 8535. The unit for the drawback cap has been changed from litre to kilogram for printing inks of heading 3215.
 - (f) Drawback has been restored for export of Guar Gum (Tariff Item No. 130201) by providing a specific composite rate with a specific customs component.



- (g) In order to continue with the existing classification of sports gloves under the drawback schedule, an appropriate exception, to the principle of alignment at four digit level with the First Schedule to the Customs Tariff Act, 1975, has been specified in the Notes and Conditions in the Notification.
4. It is requested to download the notification with the Schedule for 2012-13 from Board's website (www.cbec.gov.in) and carefully peruse it and thereby take note of all the specific changes notified. As before, it may be ensured that exporters do not avail of the refund of service tax paid on taxable services which are used as input services in the manufacturing or processing of export goods through any other mechanism while claiming AIR. Since the changes include specification of composite rates in many cases, it needs recalling that the composite rate (when Cenvat facility has not been availed) is not available, inter alia, when rebate of central excise duty on inputs is availed or inputs are procured without payment of central excise duty, under rule 18 or 19 (2) of Central Excise Rules 2002, respectively. The due diligence is also expected to be exercised to prevent any misuse, inter alia, in the light of not all items having drawback caps and the assigned drawback caps seeing a relative increase.
5. While every effort has been made to avoid errors / omissions, these are not ruled out. If an error is noticed, please immediately inform the Board for appropriate corrective action. Difficulties faced, if any, in implementation of the changes may also be brought to Board's notice. Suitable public notice and standing order may be issued for guidance of the trade and officers. Receipt of this Circular may be acknowledged.

(Rajiv Talwar)
Joint Secretary

B. Brand Rate of Duty Drawback Scheme:

9. In respect of export products where AIR of duty drawback is not notified or where the AIR of duty drawback is considered by the exporter to be insufficient to fully neutralize incidence of duties suffered on the inputs utilized in the production/manufacture of the export product, the exporters opt for Brand Rate Duty Drawback Scheme. Under this Scheme, the exporters are compensated by paying the amount of Customs & Central Excise Duty incidence which is actually incurred on the inputs used in the manufacture of export products. For this purpose, the exporter has to produce documents/proof about the actual quantity of inputs utilized in the manufacture of export product along with evidence of payment of duties thereon.

10. The exporter has to make an application to the Directorate of Drawback in prescribed format along with enclosures (in the form of 3 drawback statements called DBK-I, II & III), within 60 days from the date of export of goods. The application has to be submitted to Directorate of Drawback with copies to the concerned Central Excise Commissionerate which has jurisdiction over the factory of production of export product. The Central Excise Authorities conduct verification of the authenticity/fact of utilization of inputs/payments of duties on the inputs on the basis of records maintained by the factory of the exporter, current production of identical goods, if being effected, etc. A verification report has to be sent to the Directorate of Drawback. The Directorate of Drawback, on the basis of verification report and other relevant documents submitted by the exporter, process and issue drawback Brand Rate Letter to the exporter on the basis of which the concerned Custom House (from where the goods were exported) makes payment of duty drawback. The Brand Rate Letter may be valid for particular export shipment or series of shipment and may also be extended for future shipments for one or more ports on request subject to proof of availability of related raw materials and duty evidence, etc., when verification was carried out.

C. Simplified Scheme of Brand Rate:

11. Under Brand Rate of Duty Drawback Scheme, a "Simplified Scheme" is also available to limited companies and registered partnership firms. Under this Scheme, a rate letter for duty drawback is issued prior to receipt of verification report from the jurisdictional Central Excise Authorities on the basis of application



made by the exporter subject to certain certification etc. For this purpose, besides application in the prescribed format along with enclosures, the exporter is also required to submit Chartered Accountant/Cost Accountant/Chartered Engineer's certificate about the authenticity of consumption pattern and duty payments as claimed. An indemnity bond undertaking to pay back the duty drawback being claimed by him if it is found later on verification that the drawback amount paid to him is in excess of the admissible amount, has also to be furnished. In all cases where duty drawback is paid under Simplified Scheme, after receipt of the verification report from jurisdictional Central Excise Authority, the veracity of the application is counter checked with the said verification report and recovery action taken, where ever found necessary.

D. Section 74- Drawback:

12. In case of goods which were earlier imported on payment of duty and are later sought to be re-exported within a specified period, customs duty paid at the time of import of the goods with certain cut can be claimed as duty drawback by the exporter at the time of export of such goods. Such duty drawback is granted in terms of Section 74 of the Customs Act, 1962 read with Re-export of Imported Goods (Drawback of Customs Duty) Rules, 1995. For this purpose, at the time of import, the identity particulars of the goods are recorded at the time of examination of import goods; at the time of export, cross verification of the goods under export is done with the help of related import documents to ascertain whether the goods under export are the very ones which were imported earlier.

13. Where the goods are not put into use after import, 98% of duty drawback is admissible at the maximum under Section 74 of the Customs Act, 1962. In cases where the goods are put into use in India after import (and prior to its export), duty drawback is granted on a sliding scale basis depending upon the extent of use of the goods. No duty drawback is available if the goods are put into use for a period exceeding 36 months after import. Application for duty drawback is required to be made within 3 months from the date of export of goods.

14.1.11 Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 as amended by the Customs, Central Excise Duties and Service Tax Drawback (Amendment) Rules, 2006.

The relevant extract of the Rules are given below:

Rule 2 (a): "drawback" in relation to any goods manufactured in India and exported, means the rebate of duty or tax, as the case may be, chargeable on any imported materials or excisable materials used or taxable services used as input services in the manufacture of such goods;

Drawback Rule 3(1) Subject to the provisions of -

- (a) the Customs Act, 1962 (52 of 1962) and the rules made thereunder,
- (b) the Central Excises and Salt Act, 1944 (1 of 1944) and the rules made thereunder,
- (bb) the Finance Act, 1994(32 of 1994), and the rules made thereunder; and
- (c) these rules, a drawback may be allowed on the export of goods at such amount, or at such rates, as may be determined by the Central Government:

Provided that where any goods are produced or manufactured from imported materials or excisable materials or by using any taxable services as input services, on some of which only the duty or tax chargeable thereon has been paid and not on the rest, or only a part of the duty or tax chargeable has been paid; or the duty or tax paid has been rebated or refunded in whole or in part or given as credit, under any of the provisions of the Customs Act, 1962 (52 of 1962) and the rules made thereunder, or of the Central Excise Act, 1944 (1 of 1944) and the rules made thereunder, or of the Finance Act, 1994 (32 of 1994) and the rules made thereunder, the drawback admissible on the said goods shall be reduced taking into account the lesser duty or tax paid or the rebate, refund or credit obtained:

Provided further that no drawback shall be allowed –

- (i) if the said goods, except tea chests used as packing material for export of blended tea, have been taken



- into use after manufacture;
- (ii) if the said goods are produced or manufactured, using imported materials or excisable materials or taxable services in respect of which duties or taxes have not been paid; or;
 - (iii) on jute batching oil used in the manufacture of export goods, namely, jute (including Bimlipatam jute or mesta fibre), yarn, twist, twine, thread, cords and ropes;
 - (iv) if the said goods, being packing materials have been used in or in relation to the export of –
 - (1) jute yarn (including Bimlipatam jute or mesta fibre), twist, twine, thread and ropes in which jute yarn predominates in weight;
 - (2) jute fabrics (including Bimlipatam jute or mesta fibre), in which jute predominates in weight;
 - (3) jute manufactures not elsewhere specified (including Bimlipatam jute or mesta fibre) in which jute predominates in weight.
 - (v) on any of the goods falling within Chapter 72 or heading 1006 or 2523 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).

14.1.12 Simplified Brand Rate Fixation Scheme

Relevant extract:

A simplified brand rate fixation scheme has been put into effect vide letter F. No. 609/113/88- DBK dt. 11-10-88 as amended vide letters of even number dt. 1st of Oct. 1992 & 7th of Oct. 1992 by the Ministry of Finance. It is to supplement the existing scheme based on pre-verification of data. The Simplified Scheme has been extended to **all sectors** w.e.f. Jan 1, 1993.

Any exporter though eligible to the Simplified Scheme need not take advantage of it. The class of industries/exporters to which the Simplified Scheme is not applicable will continue to apply for brand rate fixation under the previous scheme based on pre-verification of data.

Eligibility

The revised simplified scheme as effective from Jan. 1, 1993 is applicable to following categories of manufacturers and exporters/products.

Manufacturer Exporters

- (i) Manufacturer-exporters of all products having regular production of the items for which brand rate is sought.
- (ii) The manufacturer-exporters should be a corporate body having a detailed accounting system, which is normally subject to statutory audit under the Company Law.
- (iii) Manufacturer-exporters having registered as partnership firms who produce a Registration Certificate to this effect. Such firms should have been manufacturing export product for at least 2 years, and
 - (a) produce a certificate from the jurisdictional Asstt. Commission of Central Excise to this effect,
 - (b) produce a certificate from their bankers confirming the location of the manufacturing premises, their having an account for at least one year and that the bank is satisfied about the financial soundness of the applicant firm.

Such firms will also execute a bond and arrange post-verification of data within three months from the date of filing their application under the Simplified Scheme.

Manufacturers Exporting through Others

Manufacturers not directly exporting themselves but exporting through merchants of Export/Trading/Star



Trading/Super Star Trading Houses will be eligible Simplified Brand Rate Fixation Scheme in respect of the specified products i.e., engineering goods, chemicals and electronic items, provided the application for fixation of the brand rate is filed by the manufacturer himself of those products against a disclaimer by the merchant-exporter. However the Condition of their (manufacturers) being a corporate body having a detailed accounting system will hold good.

Products

The scheme covers all products **except** in case of manufacturers exporting through merchant-exporters etc. in such cases it will be applicable to only three product groups i.e. engineering items chemicals and electronic goods.

Applicability

The facility of Simplified Scheme may be sought where –

- (i) there is no All-Industry (A.I) rate i.e. for brand rate fixation or
- (ii) through the A.I rate exists, the manufacturer- exporter is not satisfied with the same and claims a Special Brand Rate in terms of Rule 7 of the Drawback Rules

According to rule 7 if the existing rate of drawback is less than three-fourth (3/4th) of the duties paid on the materials or components used in the production or manufacture of the goods concerned he may make an application for fixation of appropriate amount or rate of drawback.

Shipment

Applications under the Simplified Scheme should be related to goods exported under a particular shipment. However, as at present, the exporter may apply for the same goods for a period of time if it is certified that the consumption pattern would be the same for successive shipments and the exporter has sufficient stock of the related inputs at the time of making the application, for their manufacture.

DEEC Cases

For goods of identical nature where consumption pattern or duties on inputs don't change, particularly of shipments made under Advance Licence (DEEC) obligation cases, applications, for brand rate fixation should be made for shipments to be made for a period of time. Shipments under DEEC when sent over a period of time are generally of **identical nature** and exports will continue till the completion of export obligation.

The exporters working under the DEEC Scheme and desirous of claiming brand rate for the exports for unrebated duties should better file their applications for brand rate for the entire exports under the specified DEEC till its validity and **not** for individual shipments or limited periods taking care that the application is in time for the first shipment i.e. 60 days.

If, however the incidence of unrebated duties suffered on imports used for exports under DEEC shipments or otherwise varies from consignment to consignment (because of change in inputs or duties suffered thereon) individual consignment-wise application may not be avoidable.

Subsequent Shipments

For shipments other than those for which Brand Rate requests have already been made (either on individual consignment basis or on period of time basis) on which Brand Rate may have been granted or where the requests may still be under processing the exporter must make sure that a fresh application is made well within the time laid down as per Drawback Rules. Filing of fresh applications may be waived if consumption pattern/duty incidence etc., is certified to be identical, and earlier applications show sufficient stock of input but a written request for brand rate for further shipments not covered by earlier request must be made in time. In the absence of any such timely applications/request on record, the exporters subsequent requests are bound to be rejected on consideration of limitation of time.

Circular Regarding Fixation of Brand Rate of Drawback under the Simplified Scheme.



Government of India
Ministry of Finance
Department of Revenue

F.No.609/24/2002-DBK

Dated 24th June, 2002.

Sir,

Subject: Fixation of Brand Rate of Drawback under the Simplified Scheme.

As you are aware, fixation of Brand Rate of drawback under Rule 6/7 of the Customs & Central Excise Duties Drawback Rules, 1995 is an essential pre-requisite for claiming drawback by the exporters from the concerned Custom Houses. As per the existing procedure, data furnished in the Brand Rate applications under the Normal Scheme are required to be verified by the jurisdictional Commissionerates of Central Excise and based on the Verification Reports of the Commissionerates, Brand Rates are subsequently fixed by this Ministry. Brand Rate applications filed under the Simplified Scheme are also subject to post-verification by the Central Excise Commissionerates.

2. In the light of the representations of various Export Promotion Councils inviting attention of the Government about the delay in fixation of Brand Rates and emphasizing the need for timely fixation of Brand Rates, the present procedure for fixation of Brand Rate has been under review of the Government for quite sometime. Delay in getting the data verified by the Central Excise Commissionerates has been identified to contribute most for the delay in fixation of Brand Rates by this Ministry. However, in respect of the applications filed under the Simplified Scheme, Brand Rates are fixed within a relatively shorter span of time. The corresponding post-Verification Reports which are received from the Central Excise Commissionerates subsequent to the issue of Brand Rate letters by this Ministry also in most cases confirm the authenticity/veracity of the data furnished in such applications.

3. Therefore, in appreciation of this genuine difficulty in getting the Brand Rates fixed within a reasonable time and also as a measure of export promotion, it has been decided to dispense with the present procedure for pre-verification of the data by the Central Excise Commissionerates. **Commencing from 01.7.2002 (Let Export Date) all Brand Rate applications are required to be filed only under the Simplified Scheme directly in this Ministry.** The eligibility criterion for opting for the Simplified Scheme specified in this Ministry's letters F.No.609/113/88-DBK dated 11.10.1988. F.No.609/188/92-DBK dated 1.10.1992 and F.No.609/188/92-DBK dated 7.12.1992 etc ceases to be restrictive and this revised Simplified Scheme is extended to all the applicants for fixation of Brand Rate of drawback. All Brand Rate applications in the prescribed format and alongwith requisite annexures and documents addressed to the Joint Secretary(Drawback),Department of Revenue, Ministry of Finance, 3rd Floor, Jeevan Deep Building, 10, Parliament Street, New Delhi-110 001 are required to be sent by Registered/Speed Post. The applications may also be delivered to the Receipt Clerk at the Entrance Gate of the Department of Revenue at the aforesaid address. Unless there are special reasons, **Brand Rate letters will be issued within a period of fifteen days in respect of Brand Rate applications which are complete in all respects** and rejection letters will also be issued in respect of incomplete applications within the same period of fifteen days.

4. While submitting the Brand Rate applications, the exporters are required to neatly page number the essential annexures/documents and to enclose them strictly in the order of DBK-I, DBK-II/IIA,DBKIII/IIIA Statements, Shipping Bill/s, Bill of Entry, Invoices regarding payment of Central Excise duty, CENVAT availment/non-availment- Certificate/Declaration; Working Sheet, Statement of Value Addition and Statement of Exports etc. Further, these should be flagged/marked distinguishably to facilitate preliminary checking of these documents by the Receipt Clerk while receiving the applications. In case of merchant exporters/manufacturer-exporters who are getting the export products manufactured from their supporting manufacturers/vendors, as the case may be, a separate declaration ,inter alia, furnishing the details of the supporting manufacturer/vendors ,Central Excise Registration No. ,if any, availment /non-availment of the CENVAT benefit, duly authenticated by the Superintendent of Central Excise having jurisdiction over the manufacturing unit are required to be furnished.. **The exporters are required to furnish original duty paying documents, viz; Bills of Entry pertaining to the imported items and Invoices evidencing payment of Central Excise Duty in respect of the indigenous inputs with reference to the claim of Brand Rate of drawback. These original duty paying documents which have been fully utilized with the Brand Rate claim will be**



retained in this Ministry .The duty paying documents which have been partially utilized for disposal of the Brand Rate claim, will however be returned to the exporters along with requisite endorsement. Applications for issue of amendment and corrigendum to the Brand Rate letters are required to be filed maximum within a period of 3 months. Specimen copies of the revised format of the application for fixation of Brand Rate and DBK-I,II/IIA and III/IIIA Statements are attached.

5. Brand Rate letters under the revised Simplified Scheme will be subject to post verification by the Central Excise Commissionerates/Officials of the Drawback Division of this Department. In case, after such post-verification, the data furnished in the applications are found to be incorrect, the corresponding Brand Rate letters will be revoked . Besides, the concerned exporters will be debarred from availing the benefit of the Simplified Scheme for the next one year. This is intended to deter filing of fraudulent/manipulated drawback claims.

6. The operation/efficacy of this revised Simplified Scheme will be reviewed in due course and if deemed necessary corrective measures will be incorporated. The undersigned will also hold Open House meetings on quarterly basis in his office, the precise date of which will be intimated well in advance to all the Export Promotion Councils for redressal of grievances with respect to the delay and rejection of the Brand Rate applications.

You are requested to bring the contents of this letter to the notice of all concerned for their information and necessary action.

S.S. Renjhen
Joint Secretary to the Government of India

(ANNEXURE) SIMPLIFIED BRAND RATE FIXATION SCHEME

Application for fixation of Drawback Rates under Rule 6(1)(a)(Brand Rate)/Rule 7(1)(Special Brand Rate) of Customs and Central Excise Duties Drawback Rules, 1995.

(To be filled by Manufacturers of the Export Product)

A. Details about the Manufacturer of the Export Product

1. (a) Name & Postal Address of the Applicant Firm.
 - (b) Status – whether Public Limited Company or a Private Limited Company etc.
 - (c) Year since when the accounts are being statutorily audited under Company's Act.
 - (d) Whether SSI unit.
 - (e) Central Excise License No., if any.
2. Postal Address of the factory where the export products being manufactured.
3. The Commissioner of Central Excise under whose jurisdiction factory falls including Division and Range.
4. Name of the concerned Export Promotion Council.
5. Exporter's IE Code Number.

B. Details about the Export Product.

6. Description of the Export Product.
7. The Central Excise Tariff or Customs Tariff Chapter/Heading in which the export product classified.
8. If All Industry of Drawback is available for the export product, the Sub-Serial No. & Rate of Drawback.
9. Whether the application is for fixation/re-fixation/revision of rate under Rule 6(1)(a) or Rule 7(1) of the Drawback Rules.

(Strike out whichever is not relevant)

10. If the application is for re-fixation/revision:



- a) Ministry's previous reference number and date under which the rate was fixed.
 - b) Rate of Drawback fixed.
 - c) Validity period of rate(s).
11. (a) Date/Period from which the rate is desired to be fixed.
 - (b) Date of 1st Shipment.(Legible Copy of the Shipping Bill(highlighting Let Export Date), Invoice, packing list to be attached)
 - (c) Port(s)/Airports through which exports are made/proposed to be made.
 - (d) Port of registration desired.
12. (a) FOB Value of the product per unit.
 - (b) Current market price of the export product at the time of first shipment
13. State the mode of export : -
 - (a) Whether under Central Excise bond.
 - (b) After payment of duty under claim of rebate of Central Excise duty.
 - (c) Otherwise.

(Strike out whichever is inapplicable)
14. Whether in respect of any of raw materials/components the benefits under Rule 19 or any other Central Excise Rule is being availed of –
15. Whether in respect of any of the raw materials/components CENVAT benefit under CENVAT CREDIT Rules, 2002 is being availed of ?
16. Whether any other benefit under any of the Customs and/or Central Excise Notification is being availed of in respect of any of the raw materials components and other inputs used in the export product.
17. Whether in respect of the imported material or some of the imported Materials :
 - (a) The benefits of duty exemption Scheme is being availed of. If so the details of the same(viz. DEEC/DEPB). A photocopy of the complete Pass Book or DEEC alongwith with the photocopy of Advance Licence to be forwarded.
 - (b) If the export is under DEPB cum Drawback Scheme, state whether the CVD has been paid in cash. Also specify the Standard Input Output Number (SION) of the export item fixed by the DGFT of the Export item.
 - (c) Manufacture under bond procedure in terms of Section 65 of the Customs Act, 1962 is being followed, if so, the details thereof.
18. The quantity and name of by-product or co-product(and its sale value) arising during the course of manufacture of the main product of the unit specified in DBK-I.
19. The drawback rate (or amount) expected. (Enclose working sheet in support thereof).
20. Whether Rule 8(2)(regarding Value Addition) of the Customs and Central Excise Duties Drawback Rules, 1995 is satisfied. If so, a detailed working sheet may please be enclosed.
21. Brief process of manufacture (enclose catalogue/ literature, etc.)

DECLARATION

I/We hereby declare that the particulars given above as well as in accompanying statements DBK I to III are correct to the best of my knowledge and belief and that no separate application in respect of the same goods has been submitted so far.

I/We also declare that the export is not under Duty Free Shipping Bill.

I/We also declare that I/We shall intimate any change (including receipt of suo-motu refunds) in the



particulars as mentioned in the proforma and statements submitted within one month from the date of such change and I/We agree to any consequential change in the Drawback Rates with effect from the date the changed drawback rates are allowed and shall on demand by an Officer of Customs repay the amounts received in excess.

I/We also declare that the duty paying documents in respect of the imported/indigenous inputs furnished in this Brand Rate application have not been used in any previous application/partially used in our Application Ref. No. dated and a statement of the extent of usage and balance quantity available is enclosed separately.

I/We further declare that I/We shall immediately refund the amount of drawback obtained by us in excess of any amount/rate which may be re-determined by Government, as a result of post verification.

I/We also declare that the application also includes drawback for the components which have been manufactured by the supporting manufacturers and vendors. I/We also undertake the liability of paying back the amount of drawback alongwith interest thereon, in case, the data relating to the supporting manufacturers/vendors are not verifiable by the Department or on verification the particulars are found unsubstantiated by the Department.

I/We also undertake that in case of post verification the data furnished in this application are found to be incorrect, and the corresponding Brand Rate letter is revoked by the Ministry, I/We will be liable to pay back the Drawback amount alongwith interest thereon.

Name:

Designation:

Full address of Power of Attorney Holder or Authorised Agent:

Station:

Date:

Note: - Please furnish specific information against all the Serial Numbers. Response like "as per the Shipping Bill" and "as per the Statement of Exports" etc. should be avoided.

STATEMENT – DBK-II

Direct imports of materials/components made by the manufacturer and foreign materials obtained locally by the manufacturer during the period commencing three months prior to the date of shipment/first shipment upto the date of application, for manufacture of _____ (Name of export product).

S.No.	Description	Technical Characteristics	S.No.in DBK I Statement	B/E No. and date under which imported	Name of Customs House	Unit	Qty. imported	Assessable value	Heading No. in Customs Tariff Act,1975
1	2	3	4	5	6	6	7	8	9

Rate of Duty (Basic + SAD+ CVD)	Country from where imported & name of supplier	Is the assessment final	Amount of Duty (to be indicated separately for Basic + SAD + CVD)	Name and full address of supplier in case the foreign materials/components obtained locally	Remarks
10	11	12	13	14	15

Note: -



1. If any of the materials mentioned above have also been procured from indigenous origin, this must be specifically stated in remarks column and full details of the procurement alongwith proof of payment of duty should be furnished in DBK-III Statement , even if it is claimed that they are not used in the products exported.
2. Minor items which do not contribute to any significant proportion to the expected drawback rates may be ignored, at the discretion of the applicant.
3. If the assessment against any B/E is not final the nature of dispute may be clearly indicated supported by appropriate letter from concerned Customs authorities. Normally no DBK is admitted for provisionally assessed B/Es.
4. Refund application made against any B/E, with details must be indicated.
5. Stock position of the above materials/components also to be given separately (in linked Statement IIA)

CERTIFICATE

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned bills of entries (other than whose details are furnished) has been or will be lodged with the Customs Authorities.

Signature of the Power of Attorney Holder or Authorised Agent.

Signature & stamp of independent

Chartered Accountant / **Cost Accountant**

STATEMENT – DBK-IIA

Details of procurements relating to stock of imported materials as on commencement * date (* the date three months prior to the date of shipment/first shipment) based on FIFO principle, required for manufacture of _____ (Name of export product).

S.No.	Description	Technical Characteristics	S.No.in DBK I Statement	B/E No. and date covering the Imported stock	Name of Customs House	Unit	Qty. imported originally	Assessable value	Heading No. in Customs Tariff Act,1975
1	2	3	4	5	6	6A	7	8	9

Rate of duty (Basic + CVD)	Country from where imported & name of supplier	Is the assessment final	Amount of duty (to be indicated separately for Basic + SAD +	Name and full address of the supplier in case the foreign materials / components obtained	Stock as on	Remarks
10	11	12	13	14	15	16

Note:-

1. In this statement please furnish details of stock of all the imported inputs mentioned in Statement II which were in stock 3 months prior to the date of shipment/first shipment of the export product and how these were imported/ procured. (Actual stock to be given under Col. 15, with procurement details in other Columns).
2. If the assessment for any of the inputs in stock as shown is not final, the nature and current status



of dispute may be clearly indicated. (Normally no DBK for provisionally assessed B/E are admitted.

3. Refund applications made if any for procurement shown in stock with details to be indicated
4. Photo copies of all bills of Entries mentioned above must be enclosed.

CERTIFICATE

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned bills of entries (other than whose details are furnished) has been or will be lodged with the Customs Authorities.

Signature: of the Power of Attorney Holder or Authorised Agent

Signature & stamp of independent

Chartered Accountant / **Cost Accountant**

STATEMENT – DBK-III

Materials/Components of Indian origin obtained by the Manufacturer during the period commencing three months prior to the date of shipment/first shipment upto the date of application for manufacture of _____ (Name of export product).

S. No	Description	Technical Character	S.No.in DBK I Statement	Unit	Qty. purchased	Assessable value	C. Ex. Tariff Heading No.
1	2	3	4	5	6	7	8

Effective Rate of duty paid	Amount of duty paid	Name & Address of supplier	Invoice No. & date	Is assessment of duty final	Remarks
9	10	11	12	13	14

Note:-

1. In this statement details of only those items which are chargeable to the excise duty to be given for which proof of C. Excise duty can be established by Gate Passes.
2. Materials/components specified in Drawback-II Statement if these are also of indigenous origin and procured locally should be included in this statement, whether dutiable or not. This is irrespective of the fact whether the said materials/components are used for export production or not. Where the said materials/components are claimed to be only for manufacture of goods for local sales and not for exports, this should be specifically indicated in the remarks column, against the respective Serial No. of the said materials/components.
3. The particulars of gate pass numbers and date where the applicant is consignee should be furnished under Col. 11. Photo copies of all gate passes for inputs which are subject to Central Excise Duties of 20% higher and some representative of copies for other Gate Passes must be enclosed.
4. If the Assessment which is not final or Duty is paid under protest the extent of dispute may please be clearly indicated.
5. Refund applications made if any against any Gate Pass with details, to be indicated.

CERTIFICATE

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned materials/components procured against Gate Passes/subsidiary Gate Passes has been or will be lodged with the Central Excise Authorities .



*Signature: of the Power of Attorney Holder or
Authorised Agent*

Signature: & Stamp of independent
Chartered Accountant/ **Cost Accountant**
Registration No. & date of Membership
(This is required to the certified / countersigned by a
Chartered Accountant / Cost Accountant)

STATEMENT – DBK-III (A)

Details of procurement relating to stocks of indigenous materials as on commencement * date (* the date three months prior to the date of shipment/first shipment) based on FIFO principle,

S.No	Description	Technical Characteristics	S.No.in DBK I Statement	Unit	Qty. purchased originally	Assessable value	C. Ex. Tariff No.
1	2	3	4	4A	5	6	7

Effective Rate of duty paid	Amount of duty paid	Name & Address of supplier	Gate Pass No. & date	Is assessment of duty final	Stocks as on	Remarks
8	9	10	11	12	13	14

Notes:

1. In this statement furnish details of stock of all the indigenous materials mentioned in statement I & III which were in stock three months prior to date of shipment/first shipment of the export product and how these were procured (including Gate Pass No. etc.

1A. In this statement details of only those items which are chargeable to the Excise Duty may be given for which proof of payment of Central Excise Duty can be established. The Particulars of Gate pass number, date etc. should be furnished in Column 11.If the assessment which is not final or duty is paid under protest the extent of dispute may please be clearly indicated. Refund applications made if any with details to be indicated.

CERTIFICATE

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned materials/components has been or will be lodged with the Central Excise Authorities.

Station:
Date:

*Signature: of the Power of Attorney Holder or
Authorised Agent*

Signature:& Stamp of independent
Chartered Accountant/ Cost Accountant Registration
No. & date of Membership
(This is required to the certified / countersigned by a
Chartered Accountant / Cost Accountant)



ANNEXURE

Certificate to be appended by an independent Cost Accountant/Chartered Accountant at the end of Statements II and III.

It is certified that –

- (a) We have checked the data contained in the Statements II & IIA, III and IIIA and it gives correct details of all stocks and procurements of the inputs used in the manufacture of the export product.
- (b) We have checked the data contained in Statements II & IIA, III and IIIA with the original copies of the Bills of entry, stock register and original copy of the gate passes wherever claimed to be available and the same is found to be correct. The stock procurement of every input as claimed is fully supported by Bill of Entry for imported input and gate pass for the indigenous input in the name of the applicant as indicated in the Statements. Wherever there is no bill of entry or gate pass but the procurement is under invoices, the same have been clearly indicated in the statements II/III respectively.
- (c) The materials for which data has been furnished in statement II, but no data has been furnished in Statement III, are only of imported origin and no procurements are being made from indigenous sources;
- (d) The selling price of the recoverable wastages/co-product/bi-product as indicated in DBK-I have been verified with the sale invoices. These are in order and comparable to their current market price.
- (e) The assessment documents (bills of entry/gate passes) have been finally assessed and the manufacturer has not claimed any refund of the duties paid on any of these documents.
- (f) Wherever the assessments under any case are provisional or refund of duty claimed against a B/E/G.P. the same has been clearly indicated in related DBL II/III statements.

Signature.....

Name.....

Designation.....

Address.....

Name & Address of the Institution under which Chartered Accountant/Cost Accountant.....

Reg. No.....

Place:

Date:

14.1.13 Council for Leather Export

DUTY DRAWBACK

A. Customs Circular No.97/2003 dated 14.11.2003 - fixation of brand rate of duty drawback by the Central Excise field formations - Nov 21, 2003

Customs Circular No. 97 /2003 dated 14.11.2003

Sub: Fixation of brand rate of duty drawback by the Central Excise field formations under Rules 6 and 7 of the Customs and Central Excise Duties Drawback Rules, 1995 - Removal of difficulties - regarding.

Attention is invited to the Customs Circular No.83/2003 dated 18th September, 2003 whereby detailed instructions along with illustrations had been given for computing duty drawback by the Central Excise field formations under rule 6 and rule 7 of the Customs and Central Excise Duties Drawback Rules, 1995.

2. The field formations as well as trade have expressed certain difficulties in implementation of Para 3(a)(i) of the said Circular. Through this paragraph, the Board had prescribed that while fixing the brand rate of drawback for leather goods including shoes, shoe uppers, etc., the element of duty drawback on



finished/lining leather has to be provided at the All Industry Rate available for finished/lining leather. Since the drawback rate for these products are on ad valorem basis with duty drawback caps, it was prescribed that the element of drawback on these inputs be computed on the procurement price of these inputs as evidenced by local procurement invoices.

3. It has been represented that this procedure is difficult to be applied where –

(a) only raw hides or wet blue leather, i.e., unfinished leather is procured from the market and the same undergoes the process of finishing in the manufacturer exporter's own factory, or

(b) where the unfinished leather (wet blue leather) or hides are procured by the manufacturer exporter but the finishing process on the same is carried out by the job workers who subsequently supply the finished leather to the manufacturer exporter.

4. The issue has been examined. It is clarified that in such cases, the exporters may be asked to furnish the purchase invoice as to the procurement of the raw hides/wet blue leather. They should also furnish a certificate from the Chartered Accountant/**Cost Accountant** as to the consumption and cost of processing chemicals used for its processing and other incidental overhead charges incurred. The purchase price of raw hides/wet blue leather along with these processing costs and charges should be reckoned for the purposes of computing duty drawback element on the finished/lining leather by applying the All Industry Rates of Duty Drawback.

5. Suitable public notices for information of the trade and standing orders for guidance of the staff may kindly issued accordingly.

6. The receipt of this Circular may kindly be acknowledged.

Yours faithfully,

Sd/-

(S.S. Renjhen)

Joint Secretary to the Government of India

Telefax No.23341079.

B.

TRADE NOTICE NO.: 33/2003

Sub: Fixation of brand rate of duty drawback by the Central Excise field formations under Rule 6 & 7 of the customs and Central Excise Duties Drawback Rules, 1995 - Removal of difficulties - regarding.

Attention is invited to the Trade Notice No. 32/2003-CE dated 09.12.2003 based on Customs Circular No. 83/2003 dated 18.09.2003 whereby detailed instructions along with illustrations had been given for computing duty drawback by the Central Excise field formations under rule 6 and Rule 7 of the Customs and Central Excise Duties Drawback Rules, 1995.

2. The field formations as well as trade have expressed certain difficulties in implementation of para 3 (a) (i) of the said Trade Notice. Through this paragraph, it was prescribed that while fixing the brand rate of drawback for leather goods including shoes, shoe uppers, etc., the element of duty drawback on finished/lining leather has to be provided at the All Industry Rate available for finished/lining leather. Since the drawback rate for these products are on ad valorem basis with duty drawback caps, it was prescribed that the element of drawback on these inputs be computed on the procurement price of these inputs as evidenced by local procurement invoices.

3. It has been represented that this procedure is difficult to be applied where-

(a) only raw hides or wet blue leather, i.e. unfinished leather is procured from the market and the same undergoes the process of finished in the manufacturer exporter's own factory, or

(b) where the unfinished leather (wet blue leather) or hides are procured by the manufacturer exporter but the finishing process on the same is carried out by the job workers who subsequently supply the finished leather to the manufacturer exporter.



4. The issue has been examined. It is clarified that in such cases, the exporters may be asked to furnish the purchase invoices as to the procurement of the raw hides/wet blue leather. They should also furnish a certificate from the Chartered Accountant/**Cost Accountant** as to the consumption and cost of processing chemicals used for its processing and other incidental overhead charges incurred. The purchase price of raw hides/wet blue leather along with these processing costs and charges should be reckoned for the purpose of computing duty drawback element on the finished/lining leather by applying the All Industry Rates of Duty Drawback.
5. All the trade associations are requested to give wide publicity to the contents of this trade notice amongst their members.

(ANITA SAHNI)
COMMISSIONER

Authority:- C.B.E & C Circular No. 97/2003-Customs dt. 14.11.2003 F.No.603/32/2003-DBK

C.

TRADE NOTICE - 71/ 2003

**Sub: Fixation of brand rate of duty drawback by the Central Excise field formations under Rules 6 and 7 of the Customs and Central Excise Duties Drawback Rules, 1995-
Removal of difficulties-reg.**

Attention of the Trade and Industry is invited to the Customs Circular No. 83/2003 dated 18th September, 2003 whereby detailed instructions along with illustrations had been given for computing duty drawback by the Central Excise field formations under rule 6 and rule 7 of the Customs and Central Excise Duties Drawback Rules, 1995.

2. The field formations as well as trade have expressed certain difficulties in implementation of para 3(a)(i) of the said Circular. Through this paragraph, the Board had prescribed that while fixing the brand rate of drawback for leather goods including shoes, shoe uppers, etc., the element of duty drawback on finished/lining leather has to be provided at the All Industry Rate available for finished/lining leather. Since the drawback rate for these products are on advalorem basis with duty drawback caps, it was prescribed that the element of drawback on these inputs be computed on the procurement price of these inputs as evidenced by local procurement invoices.

3. It has been represented that this procedure is difficult to be applied where-

- (a) only raw hides or wet blue leather, i.e., unfinished leather is procured from the market and the same undergoes the process of finishing in the manufacturer exporter's own factory, or
- (b) where the unfinished leather(wet blue leather) or hides are procured by the manufacturer exporter but the finishing process on the same is carried out by the job workers who subsequently supply the finished leather to the manufacturer exporter.

4. The issue has been examined. It is clarified that in such cases, the exporters may be asked to furnish the purchase invoice as to the procurement of the raw hides/wet blue leather. They should also furnish a certificate from the Chartered Accountant/**Cost Accountants** as to the consumption and cost of processing chemicals used for its processing and other incidental overhead charges incurred. The purchase price of raw hides/wet blue leather along with these processing costs and charges should be reckoned for the purposes of computing duty drawback element on the finished/lining leather by applying the All Industry Rates of Duty Drawback.

5. Members of Trade & Industry are requested to give wide publicity to the contents of this Trade Notice.

Sd/-
(H.K.SHARAN)
COMMISSIONER


14.1.14 Assessable Value of Casting

F.No. 6/14/94-CX.I
Government of India
Ministry of Finance
Department of Revenue, New Delhi

Circular No. 170/4/96-CX

dated 23/1/96

Subject: Foundry Industries- Calculation of assessable value of castings Addition of value of patterns supplied by the buyers in the assessable value.

It has been brought to the notice of the Board by Maharashtra Chambers of Commerce & Industry that there is difficulty in determination of value of patterns used in foundry industry to be added in the cost of castings for arriving at the assessable value of the castings as the quantity of casting to be made out of a pattern cannot be anticipated and sometimes some modifications or repairs are also made in the pattern after some period of use.

2. A survey was floated to ascertain the actual position in the field formations. From the reports received, it is observed that generally commissioners are of the view that cost of the pattern should be added in the assessable value of the castings. However, in some Commissionerates, the proportionate value of the pattern is not being added in the assessable value of the casting if such patterns are supplied by the buyers of the castings. Generally Commissionerates find that there is no difficulty in apportioning the cost of pattern in the assessable value of the casting. However, a few Commissioners have expressed difficulty in apportionment of the cost in cases where old patterns are supplied by the buyers of the castings to the job worker and when patterns are returned back to the buyers.

3. The matter has been examined and it is hereby clarified that the proportionate cost of pattern has to be included in the assessable value of the casting even in cases. when such patterns are being supplied by the buyers of the casting or are got prepared / manufactured by the job worker at the cost of the buyer. In cases where there is difficulty in apportioning the cost of pattern, apportionment can be made depending on the expected life and capability of the pattern and the quantity of castings that can be manufactured from it and thus working the cost to be apportioned per unit. For this purpose, a certificate from a **Cost Accountant** may be accepted.

Sd/-
(S.C. Bhatia)
Under Secretary to the Govt. of India

14.2 Estate Duty

Estate Duty (Published in Part I, Section I of the Gazette of India dated 8th March, 1969)

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE & INSURANCE)
NOTICE

New Delhi, the 20th February, 1969

APPOINTMENT OF VALUERS UNDER SECTION 4(3) OF
THE ESTATE DUTY ACT, 1953

F.No.5/77/68-E.D.-

In partial modification of para 3 (IV) of this Ministry's Notification of even number dated the 6th July, 1968, it is hereby notified for general information that the qualifications prescribed for a person to be eligible for appointment as a valuer in the category of Accountant, shall be as follows:-

(I) The Valuer must be a member of the Institute of Chartered Accountants of India or the Institute of Cost Accountants of India ; and



(II) he must have been in continuous practice as a Chartered Accountant or a Cost and Works Accountant for a period not less than seven years.

N.B.: In the case of a person who is or was in the service of a State or the Central Government, a Municipality, Municipal Corporation or District Board, seven years of continuous service connected with the audit and accounts or taxation work may be regarded as satisfying condition No. (II) above.

Sd/ -

S. BHATTACHARYYA

Deputy Secretary to the Government of India.

14.3 Wealth Tax

Wealth Tax (Second Amendment) Rules; 1988

Qualifications of Registered Valuers:

Rule 8A (7) A Valuer of stocks, shares, debentures, securities, shares in partnership firms and of business assets, including goodwill but excluding those referred to in sub-rules (2) to (6) and (8) to (11), shall have the following qualifications, namely :—

- (i) he must be a member of the Institute of Chartered Accountants of India or the Institute of Cost and Works Accountants of India or the Institute of Company Secretaries of India; and
 - (A) he must have been in practice as a chartered accountant or a **cost and works accountant** or a company secretary for a period of not less than ten years and his gross receipts from such practice should not be less than fifty thousand rupees in any three of the five preceding years, or
 - (B) he must be a person formerly employed—
 - (a) in a post under Government as a gazetted officer, or
 - (b) in a post under any other employer carrying a remuneration of not less than Rs. 2,000 per month, and, in either case, must have retired or resigned from such employment after having rendered service for a period of not less than ten years in the field of audit and accounts or taxation work, or
 - (c) as a Company Secretary or a Deputy Company Secretary or an Assistant Company Secretary in a post carrying a remuneration of not less than Rs. 2,000 per month and must have retired or resigned from such employment after having rendered service for a period of not less than ten years.

14.4 ACES-Certified Facilitation Centres (CFCs)

The Institute of Cost Accountants of India has entered into an MOU on 13th April 2010 with Central Board of Excise & Customs (CBEC) to enable Cost Accountants in practice to set up ACES Certified Facilitation Centres (CFCs) across the country. The MOU has been extended till 31st March 2013. This initiative aims at providing services to taxpayers who may not have requisite IT infrastructure/ resources, to use ACES. The services would be available on payment of prescribed services charges, as given in the MOU and Frequently Asked Questions (FAQ) hosted on the Institute website, for various services such as digitisation of paper documents and on-line filing/ uploading of documents such as Application for Registration, filing of returns, refunds, accounting, disputes resolution, audit, provisional assessment, exports, claims, intimations and permission to assesseees. All these will not only reduce physical interface and save time both for the department and the assessee, but also facilitate online tracking of the status of the selected documents, online viewing and internal messaging.

The Cost Accountant having minimum of one year whole time practice may apply online through the Institute of Cost Accountants of India website: www.icwai.org to act as Certified Facilitation Centre (CFC). The cost accountant applying should ensure that he/ she has requisite infrastructure as specified in the ACES-CBEC Scheme. The fee payable for becoming CFC is Rs. 500/-. The cost accountant will be supplied the user id and password through e-mail mentioned in the application. Please refer to Institute website for more details.



Mandatory Provisions for E-filing of Returns and E-payment of Duty/Tax

Central Board of Excise and Customs (CBEC) issued a Notification No. 04/2010-Central Excise (N.T.) and Notification No. 01/2010-Service Tax, both dated 19th Feb, 2010, making e-filing of Central Excise Returns (ER-1 and ER-3) and Service Tax Return (ST-3) mandatory for assessees with effect from 1st April, 2010.

Notification No 04/2010-CE (N.T.) dated 19.02.2010 makes it mandatory for assessees who have paid total duty of rupees ten lakhs or more including the amount of duty paid by utilization of CENVAT credit in the preceding financial year to file the monthly or quarterly return, electronically under sub-rule (1) of Rule 12 of the Central Excise Rules, 2002 and deposit the duty electronically through internet banking under sub-rule (1) of Rule 8 of the Central Excise Rules, 2002.

Similarly, Notification No. 01/2010-ST dated 19.02.2010 makes it mandatory for assessees who have paid total Service Tax of rupees ten lakhs or more including the amount of tax paid by utilization of CENVAT credit in the preceding financial year to file the half-yearly return (ST-3), electronically under sub-rule (2) of Rule 7 of the Service Tax Rules, 1994 and deposit the service Tax liable to be paid, electronically, through internet banking under sub-rule (2) of Rule 6 of the Service Tax Rules, 1994.

II. MODULES

The ACES application has four interfaces for:

- ❖ Central Excise Assesseees
- ❖ Service Tax Assesseees
- ❖ Central Excise Departmental Officers ; and
- ❖ Service Tax Departmental Officers.

It has automated the major processes of Central Excise and Service Tax - registration, returns, accounting, refunds, dispute resolution, audit, provisional assessment, exports, claims, intimations and permissions. It is divided into the following modules:

1. Access Control of Users (ACL)
2. Registration (REGN): Registration of assesseees of Central Excise & Service Tax including on-line amendment.
3. Returns (RET): Electronic filing of Central Excise & Service Tax Returns
4. CLI: Electronic filing of claims, intimations and permissions by assesseees and their processing by the departmental officers
5. Refund (REF): Electronic filing of Refund Claims and their processing
6. Provisional Assessment (PRA): Electronic filing of request for provisional assessment and its processing by the departmental officers.
7. Assessee Running Account
8. Dispute Settlement Resolution (DSR): Show Cause Notices, Personal Hearing Memos, Adjudication Orders, Appellate and related processes.
9. Audit Module
10. Export Module for processing export related documents

III. UNIQUE FEATURES OF ACES:

1. It is a centralized **web-based application** accessible through the Internet.
2. Online **authentication of PAN** with the Income Tax database has been provided. If any assessee wrongly uses the PAN number of any other person, the system will indicate the same.
3. **Reports and EASIEST** - The ACES application has been fully integrated with the EASIEST application so that information of all payments made through the banks using GAR 7 challans, are received from NSDL and stored in the ACES system. This information of challans coming through the EASIEST stream is automatically



compared by the system with the information of payments made by the assesseees in their Returns, filed with the ACES system so that revenue can be correctly reconciled and reliable reports generated. In case of mismatch, returns will be sent to the Range Superintendent for review and correction.

E-FILING OF RETURN THROUGH ACES

Circular No. 919 / 09 / 2010 – CX

F. No. 201/20/2009-CX 6
Government of India
Ministry of Finance
Department of Revenue
(Central Board of Excise and Customs)

New Delhi dated 23rd March 2010.

To

All Chief Commissioners of Central Excise, Service Tax
and Large Taxpayers Unit.

Sub.: Procedure for electronic filing of Central Excise and Service Tax returns and for electronic payment of excise duty and service tax.

Attention is invited to Circular No. 791/24/2004 dated 01.06.2004 and No. 52/1/2003 dated 11.03.2004 (modified by Circular No. 71/1/2004-ST dated 02.01.2004) prescribing the procedure for electronic filing of Central Excise and Service Tax returns. Attention is also invited to Notification No. 04/2010-Central Excise (NT) and No. 01/2010-ST both dated 19.02.2010 providing for mandatory electronic filing of Excise and Service Tax returns and payment of excise duty and service tax by all the assesseees who have paid central excise duty or service tax of Rs. 10 Lakhs or more (including payment by utilisation of CENVAT credit) in the previous financial year.

2. DG (Systems) has prepared comprehensive instructions outlining the procedure for electronic filing of excise and service tax return and electronic payment of taxes under ACES. The same is enclosed. The said instructions outline the registration process for new assesseees, existing assesseees, non- assesseees and for Large Taxpayers Unit assesseees, steps for preparing and filing of return, using of XML Schema for filing dealers' return, procedure for obtaining acknowledgement of E-filed return, procedure for E-payment etc. It is requested to sensitise concerned officers and trade and industry regarding the instructions.
3. As a large number of taxpayers would be required to file Excise and Service Tax return and to pay the taxes electronically, it is requested that trade and industry may be provided all assistance so as to help them in adopting the new procedure.
4. Field formations and trade/industry/service provider may also please be informed suitably.
5. Hindi version will follow.

(V.P. Singh)

Under Secretary (C.X.6)

Encl.: As above

IV. Registration Process:

To transact business on ACES a user has to first register himself/herself with ACES through a process called 'Registration with ACES'. This registration is not a statutory registration as envisaged in Acts/Rules governing Central Excise and Service Tax but helps the application in recognizing the bonafide users. Described below are steps for taking registration by a new assessee, existing assessee, non-assessee and a Large Tax Payer Unit (LTU).

**(a) New Assessee**

1. The user needs to log onto the system, through internet at <http://www.aces.gov.in>
2. He/she chooses the Central Excise/Service Tax button from the panel appearing on the left of the webpage.
3. Clicks the button “New Users Click here to Register with ACES” in the Log-in screen that appears after clicking Central Excise/Service Tax button.
4. Fills in and submits the form “Registration with ACES”, by furnishing a self-chosen user ID and e-mail ID. User ID, once chosen is final and cannot be changed by the assessee in future.
5. The system will check for availability of the chosen User ID and then generate a password and send it by e-mail, mentioned by him/her in the Form.
6. ACES provides assistance of ‘Know your location code’ for choosing correct jurisdictional office.
7. The user then re-logs-in and proceeds with the statutory registration with Central Excise/Service Tax, by filling-in the appropriate Form namely A-1, A-2 or ST-1 etc. by clicking the “Reg” link in the Menu bar that appears on the top of the screen. For security reasons, the password should be changed immediately.
8. The system instantaneously generates an acknowledgement number after which the registration request goes to the jurisdictional Assistant or Deputy Commissioner (AC/DC). Depending on the instructions in force, assessees may be required to submit certain documents to the department for verification. After due processing, the AC/DC, in case of Central Excise and Superintendent / Commissioner (for centralized registration only), in case of Service Tax, generates Registration Certificate (RC) and a message to this effect is sent to the assessee electronically. The assessee can view this and take a print-out of this.
9. Depending on the option chosen by the assessee, the signed copy of the RC can be sent by post or can be collected by assessee in person.
10. While submitting registration form, if the assessee makes a mistake in choosing a wrong jurisdiction (Commissionerate/Division/ Range), ACES provides a facility to the AC/DC to forward the application to the correct jurisdictional officer to issue registration and a message to this effect is sent to the assessee for information.
11. The registration number will be same as the current 15-digit format with minor change such as For-PAN based Assesseees
 - 1-10 digits – PAN of the Assessee
 - 11-12 digits–EM (Excise Manufacturer), ED (Excise Dealer), SAD (Service Tax)
 - 13-15–Systems generated alphanumeric serial number
 For non-PAN based assesseees
 - 1-4 digits TEMP
 - 5-10 Systems generated alpha numeric number
 - 11-12 EM (Excise Manufacturer) or ED (Excise Dealer), SAD (Service Tax) 13-15– Systems generated alphanumeric serial number

(b) Existing Assessee

1. The existing assesseees will not have to take fresh registrations. They will have to only register with the ACES application. This can be done in the following manner:
 - ACES application will automatically send mails to the e-mail IDs of the assessee, as available in the existing registration data base, indicating a TPIN number, and password. The mail will contain a hyperlink to the website.
 - Assessee clicks on the hyperlink and is taken to ACES application.
 - Assessee submits the form after filling the requisite information including the password provided in the



e-mail, a new User ID and new password. User ID, once chosen is final and cannot be changed by the assessee in future.

- On successful registration with ACES, the assessee can transact business through ACES.
2. Existing assesseees should note that they should register with ACES by following the procedure at (1) above and they should not register with ACES through the direct method, meant for new assesseees, as discussed under (a) above. They should also not fill-in registration forms again as it will lead to allotment of new registration numbers by the system.
 3. Assesseees should ensure that their contact details in the department's registration data base are updated to include their valid and current e-mail ids, otherwise they will not receive any such mail. Those assesseees who have not yet furnished their email IDs to the department or even after furnishing the ID have not received the TPIN mail from ACES are advised to contact the jurisdictional Range Officers or LTU Client Executives and furnish their email IDs in writing. The officer will thereafter incorporate the email ID in the ACES registration database of the assessee and arrange to send the TPIN mail to the assessee's email ID.

(a) Non-Assessee

1. This category of registration is given in ACES to any individual, firm or company which requires to transact with the Central Excise or Service Tax Department, though not an assessee such as (a) merchant exporter, (b) co-noticee, (c) refund applicant, (d) persons who have failed to obtain CE/ST registration as required under the law and against whom the Department has initiated proceedings and (e) persons who are required to tender any payment under CE/ST Act /Rules. The Non-assesseees are not required to file any tax returns.
2. Where such persons desire to seek non-assessee registration they follow same steps as in case of new assessee except that while choosing the registration form in step (vii) they have to choose and fill in the Non-assessee form.
3. In case the assessee is taking such registration for claiming any refund or rebate it is mandatory to furnish his/her valid PAN.
4. A Non-assessee registration can also be done by the designated officer of the Commissionerate, on behalf of the non-assessee.

(d) Large Tax Payer Unit (LTU) Assessee/Client

1. The consent form will have to be submitted manually by the New LTU assesseees to the jurisdictional LTU office which will be processed off line.
2. The approved consent form will be uploaded by the competent officer of the Group LTU (GLTU) into ACES.
3. Any new unit of an existing LTU, which applies for registration with ACES will be automatically attached with the LTU Commissionerate based upon PAN details in the registration form
4. As soon as the new or existing unit is attached with the LTU Commissionerate, a suitable intimation will be automatically sent by the ACES to the existing jurisdictional Commissionerate and the pending items of work will be transferred to the LTU Commissionerate.
5. For existing LTU assesseees, the process of registration is same as explained in Sub Para (b) above

IMPORTANT:

- (i) *The user ID once selected will be permanent and cannot be changed. However, it is desirable to frequently change passwords*
- (ii) *The User ID should be of 6-12 alphanumeric characters, no special character such as !@#\$%*& ()+ or spaces except underscore '_' shall be allowed.*
- (iii) *New assessee seeking registrations in Central Excise and Service Tax will also submit to the jurisdictional*



Range officer, a printout of the application form submitted online duly signed by the authorized signatory along with required documents.

- (iv) *Assesseees should note that the e-mail ID is furnished to the department in writing, and they will be responsible for all communications to and from this email ID. Currently, ACES provides for communication to one email ID only. After registration with the ACES, assesseees, on their own, can modify their registration details online, including their e-mail ID.*
- (v) *In the interest of security and data protection, assesseees are advised to change their passwords regularly and not to share it with unauthorized persons. In case of any dispute, the person whose user ID and Password has been used to access the application will be held liable for the action and any other consequences.*

V. E-filing of Returns

The assesseees can electronically file statutory returns of Central Excise and Service Tax by choosing one of the two facilities being offered by the department at present: (a) they can file it online, or (b) download the off-line return utilities which can be filled-in off-line and uploaded to the system through the internet.

(a) Steps for preparing and filing returns

- (i) *Returns can be prepared and filed on line by selecting the 'File Return' option under RET module after logging into the ACES.*
- (ii) *All validations are thrown up during the preparation of the return in this mode and the status of the return filed using the online mode is instantaneously shown by ACES.*
- (iii) *Returns can also be prepared and filed off-line. Assesseee downloads the Offline return preparation utility available at <http://www.aces.gov.in>*
- (iv) *Prepares the return offline using this utility. The return preparation utility contains preliminary validations which are thrown up by the utility from time to time.*
- (v) *Assesseee logs in using the User ID and password.*
- (vi) *Selects RET from the main menu and uploads the return. Instructions for using the offline utilities are given in detail in the Help section, under 'Download' link and assesseees are advised to follow them.*
- (vii) *Returns uploaded through this procedure are validated by the ACES before acceptance into the system which may take up to one business day. Assesseee can track the status of the return by selecting the appropriate option in the RET sub menu. The status will appear as "uploaded" meaning under process by ACES, "Filed" meaning successfully accepted by the system or "Rejected" meaning the ACES has rejected the return due to validation error. The rejected returns can be resubmitted after corrections.*
- (viii) *Once the Central Excise returns are filed online in ACES or uploaded to the system using the off-line utility, the same cannot be modified or cancelled by the assesseee. The Service Tax returns, however, can be modified once as per rules up to 90 days from the date of filing the initial return.*
- (ix) *Self-assessed CE returns, after scrutiny by the competent officer, may result into modification. Both the 'Original' and the 'Reviewed' return can be viewed by the assesseee online*

(b) Using XML Schema for filing Dealers Return

Currently, the ACES Application allows on-line filing of Quarterly Returns by the Registered Dealers accessing the site www.aces.gov.in by using the excel utility. Some assesseees who use their own software application in their offices find the process of manual entry of data in the excel format of Returns as a time consuming and avoidable exercise. A new feature of XML schema has now been introduced. Now using the schema, assesseees, after making necessary modifications in their own software application, can generate their return from their application. Below mentioned steps elaborate the process to prepare, validate and upload the Dealer's Return.

Steps to prepare the XML

Step 1: ACES application accepts the return in XML format. Prepare the Dealer return XML and validate it against the schema ACES_DLR.xsd provided.



Step 2: Login to the ACES application and upload the XML for processing. XML will be again validated against same XSD again before processing.

XML File only will be considered valid if it satisfies the requirements of the schema (predefined XSD) with which it has been associated. These requirements typically include such constraints as:

Elements and attributes that must/may be included, and their permitted structure. The structure as specified by regular expression syntax.

Instructions for using the schema are given in detail in the Help section, under 'Download' link. Assessee are advised to follow them.

(c) Validation of the entries made while filling return

1. At the time of making entry in the electronic format of the relevant return, the software does some preliminary validation for ensuring correctness of data, either concurrently or at the time of saving / submitting the return. This validation process is automated. The user is prompted by the application software to correct the particulars entered wherever required. In respect of certain entries, although the application alerts the assessee about any entry found erroneous or inconsistent, as per the automated validation process, the assessee is still allowed to proceed further to complete data entry of the return and finally submit it electronically. But in some cases the assessee are not allowed to proceed further unless the error indicated is corrected.
2. A return filed electronically is subject to automatic verification process by the application and defective returns are marked to the departmental officer for review and correction. While reviewing the return the officer may seek some clarification from the assessee, call for some information, records or documents which should be furnished by the assessee. In case of review and correction of returns by the departmental officers, assessee will receive a message from the application and they can log in to the application to view the reviewed returns online.
3. Returns, captured off-line using the Downloadable utility and uploaded later on, are further subjected to certain validation checks. Processing of uploaded returns, using the off-line versions, is done at the end of one business day and the status can be viewed by the assessee under the 'VIEW STATUS' link under 'RET' module. Status is described as 'UPLOADED', 'FILED' or 'REJECTED' and they denote as follows:
 - UPLOADED denotes that return is uploaded and under processing (assessee are advised to view the status after the end of a business day).
 - FILED denotes that uploaded return is accepted by system.
 - REJECTED denotes that return is rejected due to errors. (The assessee are required to correct the return and upload it again.)
4. There is no provision in ACES application to allow assessee to make corrections to the returns filed by them. Once the return is accepted by the system as successfully 'filed', no modification can be made by the assessee. However, if the return is rejected, the assessee can correct the errors and upload it again. The assessee are, therefore, advised to take utmost care while fill-in in the returns. They may, however, bring it to the notice of the departmental officers.

(d) Acknowledgement of E-Filing of the return

In the case of a Central Excise or service Tax return filed on-line, ACES application software acknowledges it by displaying an Acknowledgement message. A unique document reference number is generated which consist of 15-digit registration number of the assessee, name of the return filed, the period for which return is filed etc. This is also automatically communicated to the email id of the assessee by the application. In the case of an uploaded Central Excise return, using offline utility, similar acknowledgement is generated and sent after the acceptance of the return by the system as a valid return i.e. when the status changes to 'FILED'.

(e) e-payment

1. For e-payment, assessee should open a net banking account with one of the authorized banks (currently there are 28 banks, list of which is available on the EASIEST (Electronic Accounting System in



Excise and service Tax) website of CBEC, maintained by NSDL (<https://cbec.nsd.com/EST/>). Payment through ICICI Bank, HDFC Bank and Axis Bank can be done by assesseees for select Commissionerates only, list of which is published in the aforesaid EASIEEST website. Payment through all other authorized banks can be made for all Commissionerates.

2. For effecting payment, assesseees can access the ACES website (<http://www.aces.gov.in/>) and click on the e-payment link that will take them to the EASIEEST portal (<https://cbec.nsd.com/EST/>) or they can directly visit the EASIEEST portal.

3. **Procedure for e-Payment:**

- (i) To pay Excise Duty and Service Tax online, the assessee has to enter the 15 digit Assessee Code allotted by the department under erstwhile SACER/SAPS or the current application ACES.
- (ii) There will be an online check on the validity of the Assessee Code entered.
- (iii) If the Assessee code is valid, then corresponding assessee details like name, address, Commissionerate Code etc. as present in the Assessee Code Master will be displayed.
- (iv) Based on the Assessee Code, the duty / tax i.e. Central Excise duty or Service Tax to be paid will be automatically selected.
- (v) The assessee is required to select the type of duty / tax to be paid by clicking on Select Accounting Codes for Excise or Select Accounting Codes for Service Tax, depending on the type of duty / tax to be paid.
- (vi) At a time the assessee can select up to six Accounting Codes.
- (vii) The assessee should also select the bank through which payment is to be made.
- (viii) On submission of data entered, a confirmation screen will be displayed. If the taxpayer confirms the data entered in the screen, it will be directed to the net-banking site of the bank selected.
- (ix) The taxpayer will login to the net-banking site with the user id/ password, provided by the bank for net-banking purpose, and will enter payment details at the bank site.
- (x) On successful payment, a challan counterfoil will be displayed containing CIN,
- (xi) payment details and bank name through which e-payment has been made. This counterfoil is proof of payment made.

(f) **Responsibility of the Assessee**

1. It is the legal responsibility of the assesseees, who are required to file returns, to file it within the due date as prescribed under law. The electronic filing of returns is mandatory for select class of Central Excise and Service Tax assesseees, as mentioned in Notification No 04/2010-Central Excise (N.T.) dated the 19th February, 2010, and Notification No. 01/2010 – Service Tax dated the 19th February, 2010 respectively. Other assesseees can also use ACES and file their returns electronically. It may, however, be noted that merely uploading the returns will not be considered as returns having been filed with the department. A return will be considered as filed, when the same is successfully accepted by the application as 'Filed' and the relevant date for determining the date of filing of return will be the date of uploading of such successfully 'filed' returns. In case a return is 'rejected' by the application, the date of uploading of the rejected return will not be considered as the date of filing, rather the date of uploading of the successfully 'filed', return (after the assessee carries out necessary corrections and uploads it again) will be considered as the actual date of filing.
2. In case the assessee experiences any difficulty in transacting in ACES such as filing of return, the assesseees may lodge a complaint with the ACES Service Desk or the department by e-mail and/or by telephone, details of which are given below and obtain a ticket no. as an acknowledgement from the department. However, mere lodging of complaints with the ACES service desk will not be a valid ground to justify late filing of returns. If the difficulty is not on account of problems at the assessee's end, and



can be clearly attributed to the department's IT infrastructure such as problems in accessing CBEC's ACES application due to server, network or application being down, proportionate time will be deducted from the date of uploading of successfully 'filed' returns to ascertain the actual date and time of filing of the return. Since the department maintains logs of such technical failures, in case of any dispute, the decision of the department will be final.

VII. System Requirements for ACES

To use ACES following systems requirements are recommended:

- Processor: Intel Pentium III and higher
- RAM: 256 MB and higher
- HDD: 80 GB and more
- Web Browser: IE 6.0 and above, Netscape 6.2 and above
- MS Excel 2003 and above for using offline utilities
- Sound Card, Speakers/Headphones, Colour Monitor for using Learning Management Systems (LMS)

VIII. Service Charges payable by Clients to Practising Cost Accountants acting as CFC

Fees: The CFCs can charge their customers fees for the services rendered at the maximum rates indicated below:

Sr. No.	Service	Rates / Charges
1.	Data Entry of Returns (Filling-up of e>Returns)	Rs. 50/- per page subject to a maximum rate of Rs. 600/- per Return
2.	Data Entry of Forms other than Returns	Rs. 100/- per page
3.	Scanning of Documents and conversion to PDF format	Rs. 5/- per page
4.	Laser Printing (B&W)	Rs. 5/- per page
5.	Uploading Returns with ACES	Rs. 200/-per return
6.	Attaching Documents with e-Form	Rs. 1/- per page
7.	Viewing Documents	Rs. 50/- per 30 minutes
8.	Apply for and procurement of DSC for users	Rs. 100/- per DSC
9.	Use of DSC by CFC operator to facilitate e-filling for the client along with Disclaimer	Rs. 20/- for each signature use.
10.	Services other than those listed above as may be offered by the CFC	At market-driven rates

IX. Obligations of the CFC

- i) The CFC shall appropriately display the Certificate issued by the Institute of Cost Accountants of India ;
- ii) It will provide services on payment basis and the service charges shall not exceed the amount indicated in the schedule of charges as indicated above and it must prominently display the details of service charges chargeable by the CFC in respect of various services as mentioned in the above Table;
- iii) It will ensure that all the facilities are in good working condition at all times and reliable connectivity is maintained.
- iv) It will undertake work on behalf of its client, after obtaining legally valid authorization on behalf of the management of the client, the original copy of which should be kept by the CFC on records for at least a period of five years, or such other period as may be prescribed by CBEC, from time to time, for



- verification by the authorized persons of CBEC/ the Institute of Cost Accountants of India. It will be the responsibility of the CFC to take all due and reasonable care to ensure that the person on whose instructions, he/she carries out work in ACES, is duly authorized by the client to do so.
- v) Before uploading documents on behalf of its clients to the ACES website, the CFC will take signature of the authorized person on each page of the hard copies of the documents to be uploaded and keep copies on their records for at least a period of five years, or such other period as may be prescribed by CBEC, from time to time, for verification by the authorized persons of CBEC/ the Institute of Cost Accountants of India
 - vi) It will not use the user ID and Password of its clients for transactions in ACES and shall always use its own user ID and Password or its own valid DSC, as and when permitted to be used by CBEC, for carrying out transactions on behalf of its clients in ACES. In case of any dispute, the decision of CBEC shall be final.
 - vii) It will be responsible for proper and legally valid operation of the Digital Signature Certificate (DSC), during the validity period of the DSC, issued by a Certification Agency, if such service has been facilitated by the CFC to the end-user.
 - viii) It will keep accounts of all statutory fees / payments in respect of the services provided by it.
 - ix) It may be subject to inspection by persons authorized by CBEC or the Institute of Cost Accountants of India, as and when required, and during the inspection or enquiry, CFC shall provide full co-operation including providing statements, relevant records /documents for inspection and if required, allow them to take the original records/documents, against acknowledgement, after retaining attested copies for their own use. The Institute of Cost Accountants of India and CBEC can also take any other legal action, as it may deem fit and proper, against the CFC, under any other law, rule, regulation or scheme in force.
 - x) In case of a partnership firm, any change in constitution shall be intimated to the Institute of Cost Accountants of India forthwith and in case of admission of a partner, the firm shall submit a duly signed undertaking of the responsibilities and accountabilities (as mentioned in the application form) by the new partners.
 - xi) In case the CFC chooses to close down the CFC, it will do so with one month's notice to CBEC and the Institute of Cost Accountants of India and;
 - (a) shall surrender the Registration Certificate to the Institute of Cost Accountants of India ;
 - (b) submit the documents collected from the clients to the concerned Range Officer of Central Excise/ Service Tax and obtain acknowledgement thereof and submit the copy of such acknowledgement to the Institute of Cost Accountants of India ;
 - (c) the Institute of Cost Accountants of India will intimate CBEC for cancellation of user-id & password allotted by CBEC to the CFC
8. Members in practice have to apply to the Institute of Cost Accountants of India for the certificate to act as Certified Facilitation Centres subject to fulfilling the eligibility criteria as above.
9. The Certificate of Registration for a CFC under the Scheme will be valid for such period as mentioned in the Certificate issued by the Institute of Cost Accountants of India or unless the scheme is modified, withdrawn or the Certificate is suspended or cancelled before that as per the provisions of the scheme.



Chapter-15 Ministry of Commerce and Industry

Under the Ministry of Commerce, the following Circulars, Acts and Rules provide certification scope for cost accountants in practice:

15.1 Foreign Trade Policy and Procedures

The Union Commerce Ministry, Government of India announces the integrated Foreign Trade Policy (FTP) in every five year. This is also called EXIM policy. This policy is updated every year with some modifications and new schemes. New schemes come into effect on the first day of financial year i.e. April 1, every year. The Foreign Trade Policy for the period 2009-14 was announced on August 28, 2009 as an integrated Foreign Trade Policy.

15.1.1 Notification issued in this regard is given below for information purpose:

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE

NOTIFICATION No. 1/2009-2014

NEW DELHI, THE 27th August, 2009

In exercise of powers conferred by Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No.22 of 1992) read with paragraph 1.2 of the Foreign Trade Policy, 2009-2014, the Central Government hereby notifies the Foreign Trade Policy, 2009-2014 as contained in Annexure to this notification. The Policy shall come into force w.e.f. 27th August, 2009.

This issue in Public interest.

(R. S. Gujral)
Director General of Foreign Trade and
Ex Officio Additional Secretary to the Government of India

15.1.2 Objectives of Foreign Trade Policy 2009-14:

1. To arrest and reverse declining trend of exports is the main aim of the policy. This aim will be reviewed after two years.
2. To Double India's exports of goods and services by 2014.
3. To double India's share in global merchandise trade by 2020 as a long term aim of this policy. *India's share in Global merchandise exports was 1.45% in 2008.*
4. Simplification of the application procedure for availing various benefits
5. To set in motion the strategies and policy measures which catalyse the growth of exports
6. To encourage exports through a "mix of measures including fiscal incentives, institutional changes, procedural rationalisation and efforts for enhance market access across the world and diversification of export markets.

15.1.3 Vide F.No.01/94/180/468-Appendices/AM12/PC 4 dated 11th October 2012, the cost accountants have been authorised under the EXIM Policy and Procedure to do certification of all forms and statements, wherever certification by a Chartered Accountant was required. The notification is reproduced below for reference:

TO BE PUBLISHED IN THE GAZETTED OF INDIA EXTRAORDINARY
(PART-I, SECTION-I)
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY
DEPARTMENT OF COMMERCE



PUBLIC NOTICE No. 22(RE-2012)/2009-14

NEW DELHI THE 11TH October, 2012

Subject:- Certification of various documents by Cost Accountants under Handbook of Procedure Vol.I and Appendices under Foreign Trade Policy.

In exercise of powers conferred under Para 2.4 of the Foreign Trade Policy, 2009-14, the Director General of Foreign Trade hereby makes the following amendments in the Handbook of Procedure Vol.I and Appendices 2009-2014 in public interest:

1. Wherever the term "Chartered Accountant" appears, it would deem to mean and include "Cost Accountant" also. Similarly, wherever the term "FCA" has been used in respect of a Chartered Accountant, it would deem to mean and include the term "FCMA" in respect of a Cost Accountant.
2. The words "CA Number" shall be substituted to read as "Membership Number".
3. The words "Cost and Works Accountant" shall be substituted to read as "Cost Accountant".

Effect of this Public Notice:- Under the EXIM Policy and Procedure, wherever certification by a Chartered Accountant was required, the exporters would be able to get certification done by a Cost Accountant also.

Sd/-
(Anup K.Pujari)
Director General of Foreign Trade
E-mail: dgft@nic.in
(F.No.01/94/180/468-Appendices/AM12/PC 4)

Particularly, the Cost Accountants in practice are authorised to certify the following Aayat Niryat Forms (ANF) and Appendices as per "Handbook of Procedures Vol.1" to Foreign Trade Policy 2009-14:

ANF 3A

Application for Grant of Status Certificate

(Kindly see Para 3.10 of FTP)

1. IEC Number	
2. Applicant Details	
Name:	
Address:	
3. RCMC Details	
i. RCMC Number	ii. Date of issue
iii. Issuing Authority	iv. Valid upto
v. Products for which registered	
4. Category of Status applied for :EH/SHE/TH/STH/PTH	
5.	
(i) Date of filling of application (please feed the date of electronic filing of application)	
(ii) Current Year of application (please specify the Apr-Mar period):	



6. Details of Exports / Deemed Exports / Foreign Exchange earned for supply of Service from India during preceding 3 licensing years and current year (i.e. year in which application is filed), duly certified by CA/COST ACCOUNTANT/CS in annexure attached.

Sl. No.	Year (Please specify the year)	Exports (Rs in Cr) As in Row 6 of Sl. No 6 of Annexure below - CA /COST ACCOUNTANT Certificate(Including Deemed Exports and Foreign Exchange Earned for Supply of Service from India)
1	Current Year (Please see Note 2 below)	
2	Previous Year 1	
3	Previous Year 2	
4	Previous Year 3	
5. Total		

Note 1: RA to grant status recognition upon Total (as in Row 5) above exceeding the limit given in Para 3.10.2 of FTP. For Export House Status, exports in any two out of above four years shall suffice. Validity of Status Certificate shall be as per Para 3.2.2 of HBPv1 2009-14.

Note 2: In case application is filed on basis of current years' exports, please indicate the specify period (say e.g. Apr- July of current year if 4 months exports are counted, or Apr-Nov of current year if 9 months exports are counted)

DECLARATION/UNDERTAKING

- I hereby declare that particulars and statements made in this application are true and correct and nothing has been concealed or held therefrom. I fully understand that any information furnished in application if found incorrect or false will render my firm / company and me liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
- I hereby certify that none of Proprietor/ Partner(s) / Director(s) / Karta / Trustee of firm / company, as the case may be, is a Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm / company which has come to adverse notice of DGFT. I further declare that under Foreign Trade (Development and Regulation) Act (FTDR Act) 1992, my firm / company have not been debarred in person from undertaking any export import business or activity by way of suspension or cancellation of IEC number. [If so debarred under FTDR Act, details of said order and period for which the same is operational may be provided].
- I hereby certify that my firm / company has not defaulted from export obligation under any provisions of FTP and has not been placed under the Denied Entity List (DEL). [If under DEL List, kindly furnish details of order, current status etc.]
- I hereby declare that details of exports of goods and services of my firm / company are true and correct and in accordance with accounts maintained in my firm / company.
- I hereby declare that details of exports of goods and services of my subsidiary company are true and correct and in accordance with accounts maintained by my firm / company.



6. I hereby declare that a shipment has been included only once in one of the categories eligible for double weightage (Para 3.10.3 of FTP).
7. I hereby declare that exports made on re-export basis have not been included.
8. I hereby declare that export / supplies do not include any disclaimed third party exports, where the realization from overseas is in the name of the third party and not in the name of applicant here. (Note: Such exports can be counted in the third party application for grant of status, if any).
9. I hereby declare that only such exports has been taken into account for seeking recognition, which has been realized by me in our bank account directly from overseas.
10. I undertake to abide by provisions of Para 9.53 of FTP relating to Service Providers rendering services from India.
11. I undertake to abide by provisions of FTDR Act, 1992, Rules and Orders framed thereunder, and the FTP.
12. I hereby certify that I am authorized to verify and sign this declaration as per Paragraph 9.9 of FTP

Place: _____	Signature: _____
Date: _____	Name: _____
Documents to be submitted	Designation: _____
1. One Print out of this ANF3A, duly signed in provided space	Official Address: _____
2. Copy of Updated Profile in ANF 1 only if any changes	
3. Self-certified copy of RCMC	Telephone: _____
4. CAC as per Annexure attached	Residential Address: _____
5. Copy of earlier Status Certificate, if any	e-mail address: _____

Annexure to ANF 3A

**CERTIFICATE OF CHARTERED ACCOUNTANT (CA)
COST ACCOUNTANT / COMPANY SECRETARY (CS)**

I / We hereby confirm that I / We have examined prescribed registers and also relevant records of M/s having IEC Numberfor licensing period (s) and hereby certify that:

1. Following documents / records have been furnished by applicant firm / company and have been examined and verified by me / us namely: -
 - a. Statutory documentations under Customs Act 1962 and Excise Act 1848, Service Tax Act, Foreign Trade (Development & Regulation) Act 1992;
 - b. Export Order / Contract, Shipping Bills, Bill of Lading (and / or Airways Bills / PP Receipts), Customs / Bank attested Invoices, Forward Inward Remittance Certificates (FIRCs) and Bank Certificates of exports and realization, GR declaration and connected books of accounts;
 - c. FIRCs, Certificate from international credit card companies.
2. Information given by applicant firm / company in ANF 3A is in agreement with FTP 2009-14, as amended, and rules and procedures made thereunder, relevant register and records and books of accounts maintained by M/s and their subsidiaries and is also true and correct.
3. It has been ensured that
 - a. Information furnished is true and correct in all respects; no part of it is false or misleading and



- no relevant information has been concealed or withheld;
- b. In respect of export of goods, a shipment can counted in applicants export turnover / performance only if the realization of export proceeds from overseas is in the applicant's bank account.
 - c. In respect of service providers, realization of export proceeds in free foreign exchange pertains to rendering of services.
4. Neither I, nor any of my / our partners is a partner, director, or an employee of above-named entity, its Group companies or its associated concerns;

Place: _____	Signature of CA/ COST ACCOUNTANT /CS: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Membership No: _____
	e-mail address: _____
<p>If any of documents of record mentioned in serial number (i) have not been maintained/furnished, examined or verified, then may please be specified below:</p> <p>1)</p> <p>2)</p>	

5. I / We further certify that export proceeds for shipments during last three years plus current year are not outstanding beyond prescribed period as permitted by RBI.
6. Statement of Exports / Deemed Exports / Foreign Exchange Earned by Supply of Service is as under:

Statement of Exports / Deemed Exports / Foreign Exchange Earned by Supply of Service from India				
Type of Exports (Rs in Cr) (FOB / FOR value / Foreign exchange earned	Current Year	Previous Year 1	Previous Year 2	Previous Year 3
1. Exports without Weightage				
2. Exports with Double Weightage* (including Foreign Exchange Earned by Supply of Service from India) (Row 9 in Format A below)				
3. FOR value for Deemed Exports (Chapter 8 of FTP)**				
4. Exports of Subsidiary Company (Please specify the name and give the proof thereof)				
5. Exports of SEZs/ EOUs/EHTPs/STPs/BTPs, if clubbing is sought***				
6. Total (Rs. in cr.)				
<p>Note: A shipment can be included only once in one of the categories eligible for double weightage. * Format A, ** Format B, *** Format C- kindly see these formats as per Annexure I below</p>				



7. I / We fully understand that any statement made in this certificate, if proved incorrect or false, will render me / us liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.

Place: _____	Signature of CA/ COST ACCOUNTANT /CS: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Membership No: _____
	e-mail address: _____
If any of documents of record mentioned in serial number (i) have not been maintained/furnished, examined or verified, then may please be specified below: 1) 2)	

Annexure 1 to Annexure to ANF 3A

Format A Certificate of Exports with Double Weightage		
Note: A shipment is included in one of categories indicated below only once.		
Sl. No.	Category of Exports	FOB / FOR / Foreign Exchange Earned (Rs in Cr)
1	Exporters in Small Scale Industry (SSI) / Tiny Sector / Cottage Sector	
2	Units registered with KVICs / KVIBs	
3	Units located in North Eastern States, Sikkim and Jammu & Kashmir	
4	Units exporting handloom / handicrafts / hand knotted or silk carpets	
5	Exporters exporting to countries in Latin America / CIS / subSaharan Africa as listed in Appendix-9	
6	Units having ISO 9000 (series) / ISO 14000 (series) / WHOGMP / HACCP / SEI CMM level-II	
7	Foreign Exchange Earned by Supply of Services as per Format A1 below	
8	Total FOB Value (In Rs.Crore)	
9	FOB Value of exports with double weightage (Rs. in Cr.) = [2 * Total FOB value)	

Place: _____	Signature of CA/ COST ACCOUNTANT /CS: _____
Date: _____	Name of the Signatory: _____



	Address: _____
	Membership No: _____

Format A1			
Certificate of Foreign Exchange Earned by Supply of Service from India to (outside India or in)			
Sl. No.	Category of service provider	Sr. No. of Appendix 10 (within each category)	Foreign Exchange earned (Rs. in Cr)
1	Para 9.53 (i)	i)	
2	Para 9.53 (ii)	i)	(ii)
3	Para 9.53 (iii)	i)	
4	Para 9.53 (iv)	i)	
4. Total Foreign Exchange earned by supply of service from India (Rs. in Cr.)			
Place:			
Signature of CA/ COST ACCOUNTANT/CS.....			
Name of the Signatory.....			
Address.....			
Membership No:.....			
e-mail address:.....			
Date:			

Annexure 1 to Annexure to ANF 3A (continued)

Format B		
Certificate of FOR value of Deemed Exports		
Sl. No.	Category of Deemed Exports (Chapter 8 of FTP) (Please quote the relevant sub para in brackets)	FOR (Rs in Cr)
1	e.g. Supply to Advance Authorisation (8.2 (a))	
2		
3		
4		
5		
6		
7. Total FOR Value (Rs in Cr)		



Place:	Signature of CA/COST ACCOUNTANT / CS:
Date:	Name of the Signatory:
	Address:
	Membership No:
	Email Address:

Format C Name (s) of SEZs / EOUs / EHTPs / STPs / BTPs and exports thereof, if clubbing is sought for grant of Status		
Sl. No.	Name of Exporting Units	FOB (Rs in Cr)
1	SEZs	
2	EOUs	
3	EHTPs	
4	STPs	
5	BTPs	
6. Total FOB Value (Rs in Cr)		
Place: _____	Signature of CA/COST ACCOUNTANT / CS: _____	
Date: _____	Name of the Signatory: _____	
	Address: _____	
	Membership No: _____	
	Email Address: _____	

ANF 3B

Application for Served from India Scheme (SFIS)
(for Foreign Exchange Earned during 2006-07)
Kindly see Para 3.11 of FTP and Para 3.6 of HBPv1

1. IEC Number	
2. Applicant	
i. Name:	
ii. Address:	
3. RCMC Details	
I RCMC Number	II Date of issue



III Issuing Authority	IV Valid upto
V Products for which registered- in terms of main line of business.	

4. Category of Service Provider (please tick) (v)	
i. Individual Service Provider	
ii. All other Service Provider from 12 Broad heading of Appendix 10	

<p>5.</p> <p>(i) Frequency of Application : monthly/Quarterly/Half Yearly/Annually</p> <p>(ii) Date of filling of Application</p> <p>Note: Applicants are to exercise the option of applying on monthly/Quarterly/Half Yearly/Annual basis along with the first application for the current financial year, and this frequency cannot be changed for application made on basis of FX earnings of the current financial year.</p>
--

6. Foreign Exchange Earned for rendering of Service from India to (outside India or In India)- as per frequency of application in row 5 above.		
Sr. No.	Supply of Service by Service Provider	Foreign Exchange Earned (Rs) (please specify the period)
1	Supply of a 'service' from India to any other country under Para 9.53 (i) of FTP.	
2	Supply of a 'service' from India to service consumer of any other country in India under Para 9.53 (ii) of FTP.	
3	Supply of a 'service' from India through commercial or physical presence in territory of any other country under Para 9.53 (iii) of FTP.	
4	Supply of a 'service' in India relating to exports paid in free foreign under Para 9.53 (iv) of FTP by Category of service provider 4(i)	
5	Supply of a 'service' in India relating to exports paid in free foreign exchange under Para 9.53 (iv) of FTP by category of service provider 4(ii)	
6	Supply of a 'service' in India relating to exports paid in Indian Rupees which are otherwise considered as having being paid for in free foreign exchange by RBI under Para 9.53 (iv) of FTP by Category of Service Provider 4(i).	
7	Supply of a 'service' in India relating to exports paid in Indian Rupees which are otherwise considered as having being paid for in free foreign exchange by RBI under Para 9.53 (iv) of FTP by Category of Service Provider 4(ii) above.	
Total (Rs)		
Entitlement of SFIS (Rs) = [(10%* (Total –)]		

7. Port of Registration (for purpose of Imports):

8. Number of Split Certificates required (in multiples of Rs 5 lakhs each):

9. Application Submission Details (in case of	
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electronically submitted applications)	
i. ECOM Reference Number	iv. File Number
ii. Date of Submission on Server	v. Date of issue of file number
iii. Submitted to which Regional Authority	

DECLARATION / UNDERTAKING

1. I hereby declare that particulars and statements made in this application are true and correct and nothing has been concealed or held therefrom. I fully understand that any information furnished in application if found incorrect or false will render my firm / company and me liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
2. I hereby certify that none of Proprietor/ Partner(s) / Director(s) / Karta / Trustee of firm / company, as the case may be, is a Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm / company which has come to adverse notice of DGFT. Consequentially, I further declare that under Foreign Trade (Development and Regulation) Act (FT (D&R) Act) 1992, my firm / company have not been debarred in person from undertaking any export import business or activity by way of suspension or cancellation of IEC number. [If so debarred under FT (D&R) Act, details of said order and period for which the same is operational may be provided].
3. I hereby certify that my firm / company has not defaulted from export obligation under any provisions of FTP and has not been placed under the Denied Entity List (DEL). [If under DEL List, kindly furnish details of order, current status etc.]
4. I hereby declare that details of exports of goods and services of my firm / company are true and correct and in accordance with accounts maintained in my firm / company.
5. I hereby certify that foreign exchange earned on account of services rendered from India alone has been taken into account for this application under SFIS and these do not fall under any category or service which are not eligible as per Para 3.18.1 of **HBP v1 2009-14**
6. I further declare that other sources of foreign exchange earnings such as equity or debt participation, donations, repayment of loans and any other inflow of foreign exchange unrelated to service rendered has not been considered.
7. I hereby declare that benefits is being claimed for only those earnings in Indian Rupees which are otherwise considered as having been paid for in free foreign exchange by RBI.
8. I hereby undertake to submit to Regional Authority (with a copy to jurisdictional Excise Authorities), a statement of imports made under SFIS within one month of completion of imports or expiry of validity of duty credit scrip, whichever is earlier.
9. I hereby undertake that imports to be made under this duty credit scrip shall be related to any service sector business and I further undertake that such imported goods shall not be sold / transferred / disposed off in a manner in contravention to provisions of FTP. I further undertake to abide by provisions of Para 9.53 of FTP relating to supply of service from India.
10. I undertake to abide by provisions of FT (D&R) Act, 1992, Rules and Orders framed there under, and FTP.
11. I hereby certify that I am authorized to verify and sign this declaration as per Paragraph 9.9 of FTP

Place: _____	Signature: _____
Date: _____	Name: _____
<u>Documents to be submitted</u>	Designation: _____
1. One copy of this ANF duly filled up and signed	official Address: _____
2. CA/COST ACCOUNTANT/CS certificate in format	Telephone : _____



given in Annexure to ANF 3B	
3. Documentary evidence of earnings in Indian Rupees which are otherwise considered as having been paid for in free exchange by RBI should be produced.	Residential Address: _____
Note: Each page of application has to be signed	e-mail address: _____

Annexure to ANF 3B

CERTIFICATE OF CHARTERED ACCOUNTANT (CA)/COST ACCOUNTANT/ COMPANY SECRETARY (CS)

I hereby confirm that I have examined prescribed registers and also relevant records of M/s having IEC number..... for period of the current financial year (as per the frequency of application, please specify the month/quarter/half-year/annum) and hereby certify that:

(i)	Following documents / records have been furnished by applicant individual / firm / company and have been examined and verified by me / us namely: - Bills, Invoices, Forward Inward Remittance Certificates (FIRCs), Bank Realization Certificates, Certificate from international credit card companies, and evidences of foreign exchange earnings as well as the connected books of accounts.
(ii)	Relevant accounting and financial register(s) as prescribed under different Acts and Rules made there under have been maintained and authenticated under my / our seal and signature.
(iii)	Information given by applicant in ANF 3B including details on Services rendered From India as per Appendix 10 of HBP v1 (with relevant sr. no. and description) is true and correct.
(iv)	Services for which benefits is claimed does not include ineligible services and remittances as listed under Para 3.6.1 of HBP v1.2009-14
(v)	It has been ensured that information furnished is true and correct in all respects; no part of it is false or misleading and no relevant information has been concealed or withheld;
(vi)	Neither I, nor any of my / our partners is a partner, director, or an employee of above-named entity, its Group companies or its associated concerns;

Place: _____	Signature of CA/COST ACCOUNTANT/CS: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Membership No: _____
	e-mail address: _____

(vii) Certificate of Foreign Exchange Earned by Supply of Service from India to (outside India or In India) is as under:

<p>Certificate of Foreign Exchange Earned by Supply of Service from India to (outside India or In India) For the period (as per the frequency of application, please specify the month/quarter/half-year/annum of the current financial year)</p>
--



Sl. No.	Category of Service Provider	Sr. No. of Appendix 10 (within each category)	Foreign Exchange Earned (Rs)
1	Para 9.53 (i)	i)	
		...	
2	Para 9.53 (ii)	i)	
		ii)	
		iii)	
		...	
3	Para 9.53 (iii)	i)	
		ii)	
		...	
4	Para 9.53 (iv)* for Category 4(ii) of Sr. No 6 of ANF 3B	i)	
		ii)	
		iii)	
		
5	Para 9.53 (iv) for Row 5 of Sr. No 6 of ANF 3B	i)	
		ii)	
6*	Para 9.53 (iv)* for Row 6 of Sr. No 6 of ANF 3B	i)	
		ii)	
7*	Para 9.53 (iv)* for Row 7 of Sr. No 6 of ANF 3B	i)	
		ii)	
* Earnings in Indian Rupees that are otherwise treated as deemed to be realized in free foreign exchange by RBI – See Para 9.53 (iv) of FTP.			
(viii)	I fully understand that any statement made in this certificate if proved incorrect or false will render me liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.		
Place: _____		Signature of CA/COST ACCOUNTANT/CS: _____	
Date: _____		Name of the Signatory: _____	
		Address: _____	
		Membership No: _____	



	e-mail address: _____
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ANF 3D
ANF for Policy Para 3.13.4
For Agri. Infrastructure Incentive Scrip under VKGUY
(Kindly see Para 3.13.4 of FTP and Para 3.7.2 of HBPv1)

Export of Products covered under ITC HS Chapter 1 to 24
(to be filing with RA, CLA, New Delhi only)

April – September / October – March period

1. IEC Number		
2. Applicant Details		
Name:		
Address:		
3. RCMC Details		
i) RCMC Number	ii) Date of issue	
iii) Issuing Authority	iv) Valid upto	
v) Products for which registered		
4. Status Details:		
i. Status Number	ii. Effective date of status certificate and validity	
iii. Issuing authority	iv. Date of issue	
5. (i) Licensing Year (AM 10/AM 11/ AM 12 etc.)		
(ii) Period of application: Apr- Sep :/ Oct – Mar Period (i.e. Apr – Sep 2009/ Oct- Mar 2010 etc.)		
(iii) Date of Filing this Application		
6. Details of exports:		
Sr. No	Particulars	FOB value (as per Shipping Bill, including upto 12.5% Foreign Agency Commission) (Rs.)
1	Total value of export of products covered under ITC HS Chapter 1 to 24, Details as per Annexure 1 of CA /COST ACCOUNTANT Certificate	
2	Maximum Para 3.13.4 benefits (@ 10% of 1 above)	
3	Out of 1 above, Total value of exports of products covered/ to be covered under VKGUY Policy Para 3.13.2 – Details as per Annexure 2 of CA /COST ACCOUNTANT Certificate	
4	Value of Policy Para 3.13.2 benefits	
5	Claim for duty credit scrip under Agri. Infrastructure Incentive Scrip under VKGUY – Policy 3.13.4 (Row 2 – Row 4)	
6	Duty Credit scrip granted under Para 3.13.4 (to be filled in by CLA,	



	New Delhi)	
--	------------	--

7. Number of Split Certificates required (in multiples of Rs 5 lakhs each):

8. Port of Registration (for the purpose of imports)***:

(* Exports made on or after 1st April in terms of Para 9.12)

(** The port of registration shall be one of the ports from which the exports have been made.)

9. Application Submission Details (in case of electronically submitted applications)	
i. ECOM Reference Number	iv. File Number
ii. Date of Submission on Server	v. Date of Issue
iii. Submitted to which Regional Authority, New Delhi	

DECLARATION / UNDERTAKING

1. I hereby declare that particulars and statements made in this application are true and correct and nothing has been concealed or held therefrom. I fully understand that any information furnished in application if found incorrect or false will render my firm / company and me liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.

2. I hereby certify that none of Proprietor/ Partner(s) / Director(s) / Karta / Trustee of firm / company, as the case may be, is a Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm / company which has come to adverse notice of DGFT. Consequentially, I further declare that under Foreign Trade (Development and Regulation) Act (FT (D&R) Act) 1992, my firm / company have not been debarred in person from undertaking any export import business or activity by way of suspension or cancellation of IEC number. [If so debarred under FT (D&R) Act, details of said order and period for which the same is operational may be provided].

3. I hereby certify that my firm / company has not defaulted from export obligation under any provisions of FTP and has not been placed under the Denied Entity List (DEL). [If under DEL List, kindly furnish details of order, current status etc.]

4. I hereby declare that details of exports of goods of my firm / company are true and correct and in accordance with accounts maintained in my firm / company.

5. I hereby declare that in terms of Para 3.17.10 of FTP, this application does not contain any exports for which benefit under FPS (including MLFPS) – Para 3.15 / FMS – Para 3.14 of Chapter 3 of FTP has been / will be claimed by the supporting manufacturer based on disclaimer, implying that if any shipment has been disclaimed by the applicant in favour of his supporting manufacturer for claiming the benefits, then that shipment cannot be counted for this claim under Para 3.13.4.

6. I hereby declare that in terms of Para 3.17.8 of FTP, this application does not contain any exports for which benefit under FPS (including MLFPS) – Para 3.15 / FMS – Para 3.14 of Chapter 3 of FTP has been / will be claimed by the applicant.

7. I hereby declare that export product for which the duty credit scrip benefit is being claimed does not contain any shipment (as per Para 3.17.2 of FTP) from the following ineligible export categories / sectors:

- a. EOUs / EHTPs / BTPs who are availing direct tax benefits / exemption;
- b. Export of imported goods covered under Para 2.35 of FTP;
- c. Exports through transshipment, meaning thereby that exports originating in third country but transhipped through India;
- d. Deemed Exports
- e. Exports made by SEZ units or SEZ products exported through DTA units; and



- f. Items, which are restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS).
- 8. I hereby declare that the details of exports for which VKGUY benefits under Para 3.13.2 has been claimed / will be claimed has been correctly given in Annexure 2 of CA/COST ACCOUNTANT certificate.
- 9. I hereby certify that I am authorized to verify and sign this declaration as per Paragraph 9.9 of FTP.

Place:	Signature:.....
Date:	Name:
<u>Documents to be submitted</u>	Designation:
11. CA /COST ACCOUNTANT certificate as per Annexure 12. Export promotion (EP) copy of Shipping Bill / Bill of Export (including in case of exports through Land Customs).	Official Address: _____
13. Relevant Original Bank Certificate of Exports and Realisation -Appendix 22A or offsetting of export proceeds with approval of RBI (Appendix 22D)	
14. Copy of Status Certificate valid for the licensing year for which this application pertains to .	Telephone: _____
<u>Note:</u> 1. Each individual page of application has to be signed. One Printout of this application duly signed in provided space. Copy of Updated Profile in ANF 1 only if any changes have taken place and updated, along with copy of Valid RCMC.	Email Address:
2. In cases where original EP copy of Shipping Bill(s) / Bill of export and/or Bank Realisation Certificates has been submitted under any other scheme of FTP, a self attested photocopy(s) of EP copy of the same be attached, quoting Reference File no. & concerned Regional Authority / Customs where original documents have been submitted.	

Annexure to ANF3D

For Agri. Infrastructure Incentive Scrip under VKGUY

(Kindly see Para 3.13.4 of FTP and Para 3.7.2 of HBPv1)

CERTIFICATE OF CHARTERED ACCOUNTANT (CA)/ COST ACCOUNTANT/ COMPANY SECRETARY (CS)

I / We hereby confirm that I / We have examined prescribed registers and also relevant records of M/s having IEC Number for exports during April - September / October – March period (s) and hereby certify that:



1	Following documents / records have been furnished by applicant firm / company and have been examined and verified by me / us namely: - a. Statutory documentations under Customs Act 1962, Foreign Trade (Development & Regulation) Act 1992; b. Shipping Bills, Bill of Lading (and / or Airways Bills / PP Receipts), Customs / Bank attested Invoices, Forward Inward Remittance Certificates (FIRC)s and Bank Certificates of exports and realization, and connected books of accounts;
2	Information given by applicant firm / company in ANF3D for Agri. Infrastructure Incentive Scrip under VKGUY (Para3.13.4) is in agreement with FTP 2009-14, as amended, and rules and procedures made thereunder, relevant register and records and books of accounts maintained by M/s and is also true and correct.)
3	It has been ensured that a. Information furnished is true and correct in all respects; no part of it is false or misleading and no relevant information has been concealed or withheld; b. In respect of export of goods, a shipment can counted in applicants export turnover / performance only if the realization of export proceeds from overseas is in the applicant's bank account.
4	Neither I, nor any of my / our partners is a partner, director, or an employee of above-named entity, its Group companies or its associated concerns;
5	I / We further certify that export proceeds for shipments during last three years plus current are not outstanding beyond prescribed period as permitted by RBI.
6	I / We further certify that Statement of Exports as given in Annexure 1 to this certificate, and Statement of Exports where VKGUY Para 3.13.2 benefits is already claimed / to be claimed, as per Annexure 2 to this certificate is correct.
7	I / We fully understand that any statement made in this certificate, if proved incorrect or false, will render me / us liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.

Place: _____	Signature of CA/COST ACCOUNTANT/CS: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Membership No: _____
	e-mail address: _____
If any of documents of record mentioned in serial number (i) have not been maintained/ furnished, examined or verified, then may please be specified below: 1) 2)	

Annexure 1 to CA/COST ACCOUNTANT certificate for ANF 3D
Statement of Exports of products covered under ITC HS Chapter 1 to 24



Sr. No.	Shipping Bill No and Date	Description and ITC HS Code	Date of Export (Para 9.12 of HBPv1)	FOB Value (as per Shipping Bill, including upto 12.5% Foreign Agency Commission)
Total (Rs)				

Note: This statement of exports as per annexure 1 should also be countersigned by the applicant.

Place: _____	Signature of Applicant: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Email Address: _____

Place: _____	Signature of CA/ COST ACCOUNTANT/CS: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Membership No: _____

Annexure 2 to CA/COST ACCOUNTANT certificate for ANF 3D

Statement of Exports of products covered under ITC HS Chapter 1 to 24 (as in Annexure 1 above), for which VKGUY benefits is eligible under Para 3.13.2 and is claimed / will be claimed.				
Sr. No.	Shipping Bill No and Date	Date of Export (Para 9.12 of HBPv1)	Related file no (Where VKGUY under Para 3.13.2 is already filed)	FOB Value (as per Shipping Bill, including upto 12.5% Foreign Agency Commission)



Total (Rs)				
Note: This statement of exports as per annexure 2 should also be countersigned by the applicant.				

Place: _____	Signature of Applicant: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Email Address: _____

Place: _____	Signature of CA/COST ACCOUNTANT/CS: _____
Date: _____	Name of the Signatory: _____
	Address: _____
	Membership No: _____
	e-mail address: _____

ANF 4B

[Please see guidelines (given at the end) before filling the application]

1. IEC Number
2. Applicant Details
i. Name
ii. Address

3. RCMC Details
i. RCMC Number
ii. Date of Issue
iii. Issuing Authority
iv. valid upto
Products for which registered

4. Type of Exporter (please tick)	(v)
i. Merchant Exporter	
ii. Manufacturer Exporter	
iii. Service Provider	
iv. Merchant cum Manufacturer	
v. Others (please specify)	

5. Industrial Registration Details
i. SSI/IEM/LOI or IL Registration Number



ii. Date of Issue
iii. Issuing Authority
iv. Products for which registered

6. Excise Details (for those registered with Central Excise Authority)

i. Excise Registration Number
ii. Issuing Authority

7. Application Fee Details

Amount (Rs.)
Demand Draft/Bank Receipt/Electronic Fund Transfer No.
Date of Issue
Name of Bank on which drawn
Bank Branch on which drawn

8. Total CIF value of imports applied for

i. In Rupees
ii. In currency of imports
iii. In US \$

9. Export Product Details

i. Description of Export Product
ii. Export Product Group

10. Details of Items required for manufacture of One Unit of Export Product**A. Imported Inputs**

Sl. No.	Required import item			Quantity required as per unit of export product	Purpose of requirement	Wastage claimed (%age) on net content basis	Recoverable wastage /by Product		
	Name	Technical Characteristics	ITC(HS) Code				Name	Qty	Value

B. Indigenous Inputs

Sl. No.	Required import item			Quantity required as per unit of export product	Purpose of requirement	Wastage claimed (%age) on net content basis	Recoverable wastage /by Product		
	Name	Technical Characteristics	ITC(HS) Code				Name	Qty	Value

(* - Purpose of requirement should be indicated against each item i.e. whether the item is required as a raw material / components / solvents / catalyst / packing material etc)

11. Production and Consumption data of the manufacturer/supporting manufacturer for preceding three

**licensing years**

Year	Total Production of the export products	Quantity of different items consumed	Quantity consumed/unit production

12. Details of earlier advance Authorisations obtained (if any) for the export product in the preceding two licensing years

S No	Authorisation Details			Quantity of different items consumed	Quantity consumed/production
	Authorisation	Authorisation	Issuing authority		

13. In case the application is made for modification in existing SION, please furnish

i. Existing SION Number
ii. Nature of modification required
iii. Details of Modification required (attach details)

DECLARATION/UNDERTAKING

1. I/We hereby declare that the particulars and the statements made in this application are true and correct to the best of my / our knowledge and belief and nothing has been concealed or held there from. If found incorrect or false, it will render me / us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
2. I/We undertake to abide by the provisions of FT(D&R) Act, the Rules and Orders framed there under, the FTP, HBP v1, HBP v2 and the ITC(HS) Classification of Export & Import Items.
3. I / We hereby certify that none of the Proprietor/ Partner(s) / Director(s) / Karta / Trustee of the firm / company, as the case may be, is / are a Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm / Company which has come to the adverse notice of DGFT.
4. I/We hereby certify that the Proprietor/Partner(s)/Director(s)/Karta/Trustee, as the case may be, of the firm/company is/are not associated as Proprietor/Partner(s)/Director(s)/Karta/Trustee in any other firm/company which is in the caution list of RBI.
5. I/ We hereby declare that I/we have perused the list of S COMET items as contained in the Appendix 3 to the Schedule 2 of the ITC (HS) Classifications of Export-Import Items and that the item(s) exported / proposed to be exported does not fall within this list and that I/ We agree to abide by the provisions of the Policy for export of S COMET items contained in the Foreign Trade Policy, Schedule 2 of ITC (HS) and the HBP v1, irrespective of the scheme under which the item is exported / proposed to be exported (the underlined portion will be deleted in case an application for export license for SCOMET item is being filed).
6. (Applicable in case of Advance Authorisation applications under paragraph 4.7 of HBP v1only)
 - a. I/We hereby declare that I / We shall abide by the final fixation of norms by the Norms Committee (NC) and shall pay in cash to the Government Customs duty together with interest (as notified) reckoned from the date of imports till the date of deposit on the inputs imported in excess of the norms fixed by NC.
 - b. I / We hereby declare that no export proceeds are outstanding beyond the prescribed period as



laid down by RBI or such extended period for which RBI permission has been obtained.

7. I hereby certify that I am authorised to verify and sign this declaration as per Paragraph 9.9 of the FTP.

Signature of the Applicant
Name
Designation
Official address
Telephone
Residential Address
Email Address

Place
Date

GUIDELINES FOR APPLICANTS

[Please see paragraph 4.4.2, 4.8, 4.9, 4.10.1 of HBP v1]

1. Two copies of the application must be submitted unless otherwise mentioned.
2. Each individual page of the application has to be signed by the applicant.
3. RCMC details need not be given if the same have already been updated in the IEC.
4. Application must be accompanied by documents as per details given below:

For Fixation / Modification of Standard Input Output Norms (SION)

- I) Technical Details of the export product as per the details given in Appendix 33.
- II) Chartered Engineer certificate certifying the import requirements of raw materials in the format given in Appendix 32B.
- III) Production and Consumption data of the manufacturer/supporting manufacturer of the preceding three licensing years as given in serial no 11 of the application, duly certified by the Chartered accountant/Cost Accountant / Jurisdictional Excise Authority.

ANF 4 I

GEM REP Application

[Please see guidelines (given at the end) before filling the application]

1. IEC Number
2. Application Details
i. Name
ii. Address
3. RCMC Details
i. RCMC Number
ii. Date of Issue
iii. Issuing Authority
iv. Valid upto
v. Products for which registered
4. Type of Exporter (please tick)
i. Merchant Exporter
ii. Manufacturer Exporter



iii. Service provider
iv. Others (please specify)
v. Merchant cum Manufacturer

5. Industrial Registration Details
i. SSI/IEM/LOI or IL Registration Number
ii. Date of Issue
iii. Issuing Authority
iv. Products for which registered

6. Excise Details (for those registered with Central Excise Authority)
i. Excise Registration Number
ii. Issuing Authority

7. Application Fee Details
Amount (Rs.)
Demand Draft/Bank Receipt/Electronic Fund Transfer No
Date of Issue
Name of the Bank on which drawn
Bank Branch on which drawn

8. Export proceeds realization month:
--

9. FOB value of Exports
i. In Free Foreign Exchange
ii. In Rupees

10. Value of Authorisation claimed
i. In free Foreign Exchange
ii. In Rupees

11. Details of exports made						
Name of the Bank	Shipping Bill/ Postal Receipt		FOB Value (in FEE/ Rs.)	FOB value realized (in FFE /Rs.)	REP Authorisation claimed (Rs.)	Country of Exports
	Number	Date				

Note: In case application for REP Authorisation is made under Para 4A.28 of this handbook, serial no 11 may be left blank.

DECLARATION / UNDERTAKING

1. I/We hereby declare that the particulars and the statements made in this application are true and correct to the best of my / our knowledge and belief and nothing has been concealed or held there from. If found incorrect or false, it will render me / us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.



2. I/We undertake to abide by the provisions of FT(D&R) Act, the Rules and Orders framed there under, the FTP, HBP v1, HBP v2 and the ITC(HS) Classification of Export & Import Items.
3. I / We hereby certify that none of the Proprietor / Partner(s) / Director(s) / Karta / Trustee of the firm / company, as the case may be, is / are a Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm / Company which has come to the adverse notice of DGFT.
4. I/We hereby certify that the Proprietor / Partner(s) / Director(s) / Karta / Trustee, as the case may be, of the firm/company is / are not associated as Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm/company which is in the caution list of RBI.
5. I / We hereby declare that I / we have perused the list of SCOMET items as contained in the Appendix 3 to the Schedule 2 of the ITC (HS) Classifications of Export-Import Items and that the item(s) exported / proposed to be exported does not fall within this list and that I / We agree to abide by the provisions of the Policy for export of SCOMET items contained in the Foreign Trade Policy, Schedule 2 of ITC (HS) and the HBP v1, irrespective of the scheme under which the item is exported / proposed to be exported (the underlined portion will be deleted in case an application for export license for SCOMET item is being filed).
6. I / We hereby declare that no export proceeds are outstanding beyond the prescribed period as laid down by RBI or such extended period for which RBI permission has been obtained.
7. I hereby certify that I am authorised to verify and sign this declaration as per Paragraph 9.9 of the FTP.

Signature of the Applicant
Name
Designation
Official Address:
Telephone:
Residential Address:
e-mail address:

Place:
Date:

Annexure to ANF 4I

CERTIFICATE OF CHARTERED ACCOUNTANT /COST ACCOUNTANT

I/We hereby confirm that I/We have examined the prescribed registers and also the relevant records of M/s Having IEC number.....and PAN number..... for the licensing period(s)and hereby certify that:

- (i) The following documents/ records have been furnished by the applicant firm/company and have been examined and verified by me/us namely: -
 - a. Statutory documentation under the Customs Act 1962 and Excise Act 1848, Service Tax Act, Foreign Trade (Development & Regulation) Act 1992;
 - b. Export Order/Contract, Shipping Bills, Bill of Lading (and/or Airways Bills/PP Receipts), Customs/Bank attested Invoices, Bank Certificates of exports made in their own name, GR declaration etc and connected books of accounts;
- (ii) The relevant accounting and financial register(s) as prescribed under different Acts and Rules made there under have been maintained and authenticated under my/our seal and signature.
- (iii) The information given by the applicant firm/company in the 'Aayaat Niryaat Form' including details on
 - a. imports/exports made,
 - b. foreign exchange earnings/ realization (both from direct and indirect sources)



is in agreement with the Foreign Trade Policy 2009-14 and the rules and procedures made there under, the relevant register and records and the books of accounts maintained by M/s..... and their subsidiaries and is also true and correct.

- (iv) It has been ensured that the information furnished is true and correct in all respects; no part of it is false or misleading and no relevant information has been concealed or withheld;
- (v) Neither I, nor any of my/our partners is a partner, director, or an employee of the above-named entity, its Group companies or its associated concerns;
- (vi) I/We further certify that M/s has realised 95% or more of the export proceeds in respect of exports made by him in the preceding three licensing years [excluding the export made during last 360 days (for status holders) and six months for others, from the date of filing of application]
- (vii) I/We fully understand that any statement made in this certificate, if proved incorrect or false, will render me/us liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.

Sl. No.	Shipping Bills Nos	Date of Let Export	Description of Product	FOB value (in Rupees)

(Signature and Stamp/Seal of Signatory)

(Chartered Accountant/ Cost Accountant)

Name of Signatory:

Place:

Address:

Date:

Membership No:

If any of the documents of record mentioned in serial number (i) have not been maintained/ furnished, examined or verified, they may please be specified below:-

- 1.
- 2.

Note: Each page of this annexure is to be signed by the Chartered Accountant / Cost Accountant with his registration number.

GUIDELINES FOR APPLICANTS

[Please see paragraph 4 A.1 and 4A.28 of HBP v1]

1. Two copies of the application must be submitted unless otherwise mentioned.
2. Each individual page of the application has to be signed by the applicant.
3. RCMC details need not be given if the same has already given at the time obtaining IEC.
4. Application must be accompanied by documents as per details given below:
 - a. Bank Receipt (in duplicate)/Demand Draft evidencing payment of application fee in terms of Appendix 21B.
 - b. Bank certificate of export and realisation in the format given in Appendix 22A evidencing



- realisation of exports proceeds/sales proceeds.
- c. Export Promotion (EP) copy of Shipping Bill(s) in Original. (Photocopy of the EP copy of Shipping Bill duly endorsed may be returned for utilization/re-import purposes when the exports are made on consignment basis).
 - d. Customs attested invoice.
 - e. In case of application for Replenishment Authorisation under paragraph 4A.28 of this Handbook, an applicant will be required to submit documents as given at S .No. 1 above and Statement of Exports made during the preceding licensing year duly certified by Chartered Accountant / Cost Accountant in the format given in Annexure to ANF 4I.

ANF 5A

APPLICATION FORM FOR EPCG AUTHORISATION

[Please see guidelines given at the end before filling the application]

1. Application Details
i. Name
ii. IEC No.
iii. Address
2. Type of Exporter (please tick)
i. Merchant Exporter
ii. Manufacturer Exporter
iii. Service provider
iv. Others (please specify)
v. Merchant cum Manufacturer
3. RCMC Details
i. RCMC Number
ii. Date of Issue and valid upto
iii. Issuing Authority
iv. Products for which registered
4. Industrial Registration Details
i. SSI/IEM/LOI or IL Registration Number
ii. Date of Issue
iii. Issuing Authority
iv. Products for which registered
5. Service Tax Registration Details (in case of service providers registered with Service Tax Authority)
i. Service Tax Registration Number
ii. Issuing Authority
iii. Services for which registered
6. Status House Details
i. EH/SHE/TH/STH/PTH
ii. Certificate Number
iii. Date of Issue and valid upto
iv. Issuing Authority



7. Excise Details (for those registered with Central Excise Authority)
i. Excise Registration Number
ii. Date of Issue/ Issuing Authority

8. Application Fee Details
Amount (Rs.)
Electronic Fund Transfer No

9. Sector Classification of Capital Goods sought to be imported under the Scheme (Please tick)
i. Industrial Sector
ii. Agricultural Sector
iii. Service Sector

10. Products to be exported/services to be rendered
--

- 11. Whether imports to be made are under Technological Upgradation Scheme Yes/No**
If yes, give following details:

Sr. No	EPCG Authorisation No.	EPCG Authorisation Date	CIF Value/ Duty Saved	E.O. fixed in freely convertible currency	Percentage of E.O. fulfilled	Expiry Date of E.O. period

- 12. Details of exports of same/similar product/services made in the preceeding 3 licensing years (excluding exports against all pending EPCG Authorisations)**

Sl. No.	Financial Year	Total FOB Value of exports/services rendered for the
1	2	3
1.		
2.		
3.		
Total		
Average Export Performance		

- 13. Details of pending EPCG authorizations already obtained.**

S.No	Authorisation No and Date	RA which issued Authorisation	CIF/ Duty Saved Value (Rs)	EO fixed on duty saved amount (in freely Convertible currency) /INR	Specific EO fulfilled on duty saved amount (Rs)	Annual Average EO Fixed (Rs.)	Average EO due till last financial year (Rs)	Average EO fulfilled till last financial year (Rs)	Expiry Date of EO period



S No	Description of the items of import	ITC(HS) Code	Nature of Capital Goods sought to be imported +	Primary Use of Capital Goods sought to be imported ++
------	------------------------------------	--------------	---	---

14. Details of freely importable capital goods applied for import

S No	Description of the items of import	ITC(HS) Code	Nature of Capital Goods sought to be Imported +	Quantity	Primary Use of Capital Goods sought to be imported ++
------	------------------------------------	--------------	---	----------	---

15. Details of Restricted Capital Goods applied for import

Technical/Specifications	Quantity	CIF Value in freely convertible currency

+ - whether capital goods/Spares/Tools/Jigs/Fixtures/Dies/Moulds/spare refractories/catalyst

++ - whether used for pre-production activity/production activity/post production activity/ for rendering services

(From amongst col.14 and 15 above please fill up whichever is applicable. In case applicant desires to import both restricted and freely importable capital goods appropriate information should be given in both the cols.)

16. Details of Duty Saved

Total effective Customs duty on items to be imported/ deemed to be imported (in %) +	Duty to be levied under the Scheme (in %)	Duty Saved (in %)	CIF Value of imports/deemed imports (in Rs)	Duty saved (in Rs)
1	2	3 = 1 - 2	4	5 = 3 * 4 / 100

Note:

- + In case of indigenous sourcing of CG, duty saved is to be calculated on notional Customs duties saved on FOR value of capital goods as per para 5.7 A of FTP.
- In case of EPCG Authorisation for Projects as per para 5.1B of Policy, the basic customs duty would be 7.5%. Wherever, CVD is paid in cash and not subsequently Cenvated, CVD would not be taken for computation of net duty saved.

17. Details of Export Obligation and Average Export Obligation to be imposed:

Total Duty saved (Rs.) as per Column No.5 at S.No.15	Export Obligation (as a multiple of duty saved) to be imposed				Average export obligation to be imposed		Export obligation period to be imposed (in years)	
	6 times ++		8 times				8 years	12 years +++
	(Rs.)	(USD)	(Rs.)	(USD)	(Rs.)	(USD)	(indicate specifically)	

++ In case of SSI units and technological upgradation scheme.

+++

- In case of agro units and units in cottage and tiny sector.
- In respect of EPCG licences with a duty saved of Rs. 100 crore or more.



18. Port of Registration (for the purpose of imports):

19. Address of the factory/premises of the applicant where the capital goods to be imported are proposed to be installed

20. In case the proposed CG sought to be imported are to be used by the supporting manufacturer, please furnish

i. Name of the supporting manufacturer
ii. Address of the supporting manufacturer
iii. SSI/LOI/IL Registration No. and date
iv. Products endorsed on SSI/IL/IEM
v. Excise Registration No. and issuing authority (if applicable)

DECLARATION/UNDERTAKING :-

1. I / We hereby declare that the particulars and the statements made in this application are true and correct to the best of my/our knowledge and belief and nothing has been concealed or held there from and if found incorrect or false will render me/us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
2. I / We undertake to abide by the provisions of the Foreign Trade (Development and Regulation) Act, 1992, the Rules and Orders framed there under, the Foreign Trade Policy, the Handbook of Procedures and the ITC(HS) Classification of Export & Import Items.
3. I / We hereby certify that none of the Proprietor / Partner(s) / Director(s) / Karta / Trustee of the firm / company, as the case may be, is/are a Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm / Company which has come to the adverse notice of DGFT.
4. I / We hereby certify that neither the Registered Office/Head Office of the firm/company nor any of its Branch Office(s) / Unit(s) / Division(s) has been declared a defaulter and has otherwise been made ineligible for undertaking import / export under any of the provisions of the Policy.
- 4A. I/We hereby certify that our applicant firm/company is NOT currently availing any benefits under Technology Upgradation Fund Scheme (TUFS), administered by Ministry of Textiles, Government of India. (Applicable to zero duty EPCG scheme only)
- 4B. I/We hereby certify that our applicant firm/company has NOT availed and shall not avail the benefit of Status Holder Incentive Scheme under Para 3.16 of FTP in the current year. (Applicable to zero duty EPCG scheme only)
5. I / We hereby declare that I/we have perused the list of SCOMET items as contained in the Appendix 3 to the Schedule 2 of the ITC (HS) Classifications of Export-Import Items, 2009-14 and that the item(s) exported / proposed to be exported does not fall within this list and that I/ We agree to abide by the provisions of the Policy for export of SCOMET items contained in the Foreign Trade Policy, Schedule 2 of ITC (HS) and the Handbook of Procedures (Vol.1), irrespective of the scheme under which the item is exported / proposed to be exported.
6. I / We declare that no export proceeds are outstanding beyond the prescribed period as laid down by the RBI, or such extended period for which RBI permission has been obtained.
7. I / We hereby declare that the capital goods/spares sought for import in the application are actually required for use at pre production/production/post production stages for the export product(s) or for rendering services for fulfilment of export obligation.
8. I / We hereby declare that in respect of goods for which nexus is not established at a later date, I / We



- shall pay to the Government Customs duty saved together with 15% interest on such imported goods which are found having no relation with product exported or service rendered.
9. I / We hereby declare that in case of import of refurbished/reconditioned spares, the refurbished/reconditioned spares have a residual life which is not less than 80% of the life of the original spares.
 10. I / We hereby declare that I / We do not come under the purview of Service Tax and therefore are not registered with the Service Tax Cell of the jurisdictional Central Excise Authorities. (in case of Service Providers who are not covered under service tax)
 11. I / We hereby declare that I/We shall not exceed the SSI investment limit in plant and machinery after making imports under the EPCG Authorisation. (applicable in cases of imports made by SSI sector)
 12. I / We hereby declare that the import of capital goods shall be used for building and operating shopping malls/super markets having a minimum covered area of 1000 sq meters. (Applicable in case of imports made by Retail sector).
 13. I / We hereby declare that I/We have not made imports under the Technological Upgradation Scheme previously before any Licensing authority and the present imports of Capital Goods to be made under this Scheme (for which this application is made) are more than 10% of the my/our present investment in the plant and machinery. (applicable in case of imports under EPCG Technological Upgradation Scheme).
 - 13A. I / we undertake to submit a self certified copy of 'Drug Manufacturing Licence' in case of export of Pharmaceutical Product(s) within a period of three years from the date of issue of EPCG Authorization failing which the Bank Guarantee / Legal undertaking executed / furnished at the time of clearance of Capital Goods with Customs authorities / Regional Authorities of DGFT, as the case may be, is liable to be forfeited / invoked and I / We would be liable to pay Customs Duty saved amount together with applicable interest thereon from the date of first import till the date of final payment.
 14. I hereby certify that I am authorised to verify and sign this declaration as per Paragraph 9.9 of the Policy.

(Note: Strike out the clause which is not applicable.)

Signature of the Applicant Name
 Designation Official
 Address
 Telephone
 Residential Address Email Address

Place
 Date

GUIDELINES FOR APPLICANTS

1. Two copies of the application must be submitted unless otherwise mentioned.
2. Each individual page of the application has to be signed by the applicant.
3. In case CG sought to be imported is under restricted category, a copy of this application shall be sent to EFC at DGFT HQRS also. (In such cases no separate application fee shall be required to be submitted while sending the copy of the application to Hqrs. EFC). Upon clearance by EFC, EPCG Authorisation shall be issued by RA and will bear an endorsement that EFC has approved issue of EPCG Authorisation for restricted CG.
4. Application must be accompanied by documents as per details given below:
 - a. Bank Receipt / Demand Draft / EFT details evidencing payment of application fee in terms of Appendix 21B.
 - b. Self certified copy of IEM/SSI Registration Number in case of products or a self certified copy



of Service Tax Registration in case of Service Providers.

(In case of Service Providers, who are not registered with Service Tax authorities and a declaration in this regard has been submitted as a part of the application (declaration no.10) , service tax registration is not required to be submitted. In such cases RCMC from EPC concerned will suffice).

5. Certificate from a Chartered Engineer in the format given in Appendix 32A certifying:
 - a. the end use/nexus of machinery sought for import under EPCG Scheme in the pre production/production/post production activity of the exported goods/services (explaining the end use of machinery in detail); and/or
 - b. the essentiality of spare parts sought for import and its required quantity for existing machinery manufacturing the goods to be exported/ machinery sought for import; and/or
 - c. complete usage of equipments/goods sought for import under the EPCG Scheme for supply of service to overseas customers/ service consumers of any other country in India to earn free foreign exchange/supply of service in India relating to export paid in free foreign exchange.
6. Statement of exports made/services rendered by the applicant firm during the preceding three licensing years duly certified by a Chartered Accountant / Cost Accountant in the format given in ANF 5A.
 - a. In case of import of spares for existing plant and machinery, a list of plant/machinery imported and already installed in the factory/premises of the applicant firm/supporting manufacturer for which the spares are required, duly certified by a Chartered Engineer or jurisdictional Central Excise authority
 - b. In case of EPCG applications made by EOU/SEZ units, a self certified copy of the 'No Objection Certificate' from the Development Commissioner concerned showing the details of the capital goods imported/indigenously procured by the applicant firm, its value at the time of import/sourcing and the depreciated value for the purpose of assessment of duty under the Scheme is to be submitted.
7. Copy of previous EPCG Authorisation (in case application is made under EPCG Technological Upgradation Scheme).
- 7A. In case of imports under zero duty EPCG scheme for textile sector, the applicants would be required to submit a certificate from the office of Textile Commissioner, Government of India to the effect that the firm/company is not currently availing any benefit under the Technology Upgradation Fund Scheme (TUFS), administered by Ministry of Textiles, Government of India.
8. In case of import of restricted capital goods under ITC(HS) a self certified copy of the recommendation letter by the Sponsoring authority.(To be enclosed in case the same has already been obtained)

ANF 5B

Statement of Export for Redemption of EPCG Authorization

1. Applicant Details
i. Name
ii IEC Number
iii. Address
i. EPCG Authorization Number
ii. Date of Issue
iii EPCG File No.



i. Original date
ii. Extended EOP date
iii. Actual EO Completion date:

4. Installation certificate No. & Date

5. Export Product Details:

i. Same / similar product name
ii. Alternate Product name

6. Export Obligation (EO) imposed

		In Indian Rupees	In US \$
i.	Average EO +		
ii.	Specific EO (on cif / Duty saved amount)		

+ In case of alternate product export of average EO of alternate product should be given

7. Details of physical exports/deemed exports made/services rendered for maintaining specific EO of Authorization for which this redemption is sought

S No	Products Exported/ Supplied/Services rendered	Shipping Bill/ Voucher/Invoice/ CT 3 / ARE 3/ Lorry Receipt/ Railway Receipt Details +		FOB / FOR value(in FFE) ++					
		No	Date	Direct exports	Third Party exports	Deemed Exports	By Group Company	Other R&D Services/ Royalty	Total
	Same Product/Services ----- Alternative Product / Services								

+ not to be filled in by hotel industry

++ Only Exports/ Supplies made/ capable of being made/ services rendered out of capital goods imported under the Authorization for discharge of export obligation imposed on the Authorization and export proceeds realized to be included

8. We further declare that we have made exports as under for maintenance of Average (other than that mentioned in 7 above) Exports

FINANCIAL YEAR	TOTAL VALUE OF EXPORTS (OTHER THAN EXPORTS UNDER THE LICENCE) INR
-----------------------	--



DECLARATION/UNDERTAKING

1. I/We hereby declare that the particulars and the statements made in this application are true and correct to the best of my/our knowledge and belief and nothing has been concealed or held there from and if found incorrect or false will render me/us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.

2. I/ We hereby declare that I/we have perused the list of SCOMET items as contained in the Appendix 3 to the Schedule 2 of the ITC (HS) Classifications of Export-Import Items, 2004-09 and that the item(s) exported / proposed to be exported does not fall within this list and that I/ We agree to abide by the provisions of the Policy for export of SCOMET items contained in the Foreign Trade Policy, Schedule 2 of ITC (HS) and the Handbook of Procedures (Vol.1), irrespective of the scheme under which the item is exported / proposed to be exported (the underlined portion will be deleted in case an application for export license for SCOMET item is being filed).

2A. I/We hereby certify that our applicant firm/company has NOT availed any benefits under Technology Up gradation Fund Scheme (TUFFS), administered by Ministry of Textiles, Government of India, for the capital goods imported under the subject zero duty EPCG authorization.

3. I hereby certify that I am authorized to verify and sign this declaration as per Paragraph 9.9 of the Policy.

Signature of the Applicant	Place
Name	Date
Designation	
Official Address	
Telephone	
Residential Address	
Email Address	

4. It is certified that all physical exports made as shown in item Nos. 7 & 8 above are in freely convertible currency and payment of the same has been realized*.

Signature with Seal of the Chartered Accountant/Cost Accountant

* In case of 'Service Provider' submission of self attested copies of Foreign Inward Remittance Certificate (FIRC) / Bank Certificate along with ANF5B shall be mandatory.

Note: Realization of export proceeds shall not be insisted, if the Reserve Bank of India (RBI) writes off the requirement of realization of export proceeds on merits and the exporter also produces a certificate from the Foreign Mission of India about the fact of non recovery of export proceeds from the buyer. However this would not include self write off cases.

APPENDIX 11

VALUE ADDITION NORMS FOR EXPORTS FOR WHICH PAYMENTS ARE NOT IN FREELY CONVERTIBLE CURRENCY

The trade with all erstwhile Rupee Payment Area (RPA) countries has since been switched over to payment in freely convertible currency except

(i) for exports from India against liquidation of Rupee balances to the credit of erstwhile RPA countries; and



for exports to the Russian Federation against funds available in the special Rupee Accounts in the names of Russian entities.

- (ii) For exports to the Russian Federation against India's repayment of State credits granted by the former USSR.

The following value addition norms shall be applicable for exports to erstwhile Rupee Payment Area countries:-

- (a) For the trade taking place in freely convertible Currency, the value addition norms will be the same as applicable to exports to GCA countries:
- (b) For the exports from India against liquidation of rupee balances to the credit of erstwhile RPA countries, the value addition norms shall be 33% or the percentage of value addition indicated in the Handbook Vol. 1 or Vol. 2, whichever is higher.
- (c) For exports to the Russian Federation against India's repayments of State credits granted by the former USSR, the value addition norms shall be 33% or the percentage of value addition indicated in the Handbook Vol. 1 or Vol. 2, whichever is higher.
- (d) For exports to the Russian Federation against funds available against Special Rupee Accounts in the name of Russian Entities, the value addition norms in cases involving duty free imports under the Duty Exemption/ Remission Scheme shall be 33% or the percentage of value addition indicated in the Hand Book Vol. 1 or Vol. 2, whichever is higher".

2. In respect of the exports indicated at sub-paragraphs (b),(c) and (d) above, following further relaxations shall be applicable:-

- (i) The provisions of Paragraph 2.40 of the Foreign Trade Policy 2009-14 shall stand relaxed to the extent that export contracts and invoices shall be determined in non-convertible Indian Rupees; and
- (ii) The provisions of Paragraph 9.2.1 of the Handbook (Vol.1) shall stand relaxed to the extent that imposition and discharge of export obligation on the Advance Authorization/DFIA if availed under the Duty Exemption Scheme on such exports, shall be indicated in nonconvertible Indian Rupees.

APPENDIX 11A

DATA SHEET FOR ADVANCE AUTHORISATION APPLICATION ON SELF DECLARATION UNDER PARA 4.4.2 & 4.7 OF HBP (v 1)

1. Details of Items required for manufacture of one Unit of Export Product:

- (a) Imported inputs:

S. No.	Required import item			Quantity required per unit of resultant product	Purpose of requirement *	Wastage claimed (%age) on net content basis.	Recoverable wastage/by product		
	Description	Technical Characteristics	ITC(HS) Code				Name	Quantity	value

* Purpose of requirement should be indicated against each item whether the same is required as raw material, components, consumables solvents, catalysts, packing material etc.



(b) Indigenous inputs

S. No.	Required import item			Quantity required per unit of resultant product	Purpose of requirement *	Wastage claimed (%age) on net content basis.	Recoverable wastage/by product		
	Description	Technical Characteristics	ITC(HS) Code				Name	Quantity	value

2. Production and consumption data of the manufacturer/supporting manufacturer (of preceding three licensing years duly certified by the Chartered Accountant/Cost Accountant /Jurisdictional Central Excise Authority*):

*In case there is no past production, the Jurisdictional Central Excise Authority shall certify the production and consumption data on the basis of production batch sheets and for this purpose the firm shall maintain separate record of batch data for inputs consumed in the manufacture of the export product.

Year	Total production of the resultant product	Quantity of different Items consumed	Quantity consumed/unit production
(1)	(2)	(3)	(4)

3. Particulars of the authorizations (erstwhile licenses) obtained in the past and ratified by Norms Committee (NC) (with or without modification) for the same export product covered under this application.

S. No.	Authoriza-tion No & Date	Description of export product	Description of import items	Import item qty per unit of export product (as applied for)	Import item qty per unit of export product (as approved by NC while ratifying license)	NC meeting No & Date when approved
(1)	(2)	(3)	(4)	(5)	(6)	(7)

4. Please furnish technical details as per Annex-I of Appendix-10 depending upon the resultant product. Please confirm.

5. a) FOB value of exports in the preceding licensing years :

b) CIF value of authorizations already obtained under paragraph 4.7 in the current financial year :

CHARTERED ENGINEER CERTIFICATE

I have examined the applicant company's import requirements of raw materials, components etc with regard to their technical description/ specification and the quantity against each item of import and having regard to



proper technical norms of consumption and after technical scrutiny of relevant designs and drawings, I hereby certify that they are correct in all respects and are actually required for the execution of the export/supply contracts for

The list of Items covers _____ pages and contains _____ items for a total value of Rs. _____ (in free foreign exchange _____)

Signature.....
 Name in Block letters.....
 Designation.....
 Address.....

Place:..... Name and Address of the Institution under which :.....
 Chartered

Date :..... Ref NO. and date of Corporate Membership :.....

APPENDIX – 14-I-F

FORM OF LEGAL AGREEMENT FOR EOU

NOTE: PLEASE SEE PARA 6.3.1 OF THE CHAPTER 6 OF THE HANDBOOK OF PROCEDURES (Vol.- I)

An agreement made this _____ day of _____ 20____ between M/s. _____(indicate legal status i.e. a company or firm) an Export Oriented Unit / having its registered office at _____ and factory/service unit at _____ (hereinafter referred to as “the unit” which expression shall include its successors and assigns) of the one part and the President of India acting through Development Commissioner (DC) ofSEZ (hereinafter referred to as “Government” which expression shall include his successors in office and assigns) of the other part.

Whereas the Government has communicated vide Letter No. _____ dated _____ to the Unit the terms and conditions for setting up the EOU unit for manufacture/service of _____ and the Unit has duly accepted the said terms and conditions vide their letter No. _____ dated _____.

AND WHEREAS the unit has been permitted to import/purchase indigenously Plant and Machinery, raw materials, components, spares and consumables free of Import / Central excise duty as per details given at Annexurel.

And whereas a license has been granted to the unit by the Government, subject to the achievement of positive NFE as provided for in EOU Scheme.

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:

The unit shall achieve positive NFE as per Para 6.5 of FTP.

Such performance shall be subject to annual monitoring by the Development Commissioner (DC) having jurisdiction over its activities under the guidelines issued by the Ministry of Commerce, Government of India from time to time and the unit shall be liable for penalty under the Foreign Trade (D&R) Act, 1992 as amended from time to time for failure to fulfill such obligation. For the purpose of counting NFE under the EOU scheme, exports to Nepal or Bhutan shall qualify, if payment is made in Foreign Exchange.



3. The unit shall intimate the date of commencement of the production for export within one month of such date to the concerned Development Commissioner.
4. The unit shall not dispose of its production in the domestic market except in terms of the provisions of EOU Scheme and/or when specifically allowed by the competent authority.
5. The unit under implementation shall submit quarterly report to the concerned Development Commissioner in the prescribed format at Annexure II.
6. The Unit shall after the commencement of production/operation, submit to the concerned Development Commissioner, quarterly performance report in the prescribed format at Annexure III for the period ending March/June/September and December every year within 30 days of the close of quarter through e-mail giving details of the imports/exports effected and purchases made from the Domestic Tariff Area by the Unit during the period. An annual performance report shall also be submitted to Development Commissioner and the concerned Jurisdictional Commissionerate in the prescribed format given at Annexure - IV within a period of 90 days following the close of financial year failing which further imports and DTA sale will not be permitted. Annual Performance Reports shall be certified by a Chartered Accountant/ **Cost Accountant**. In case of wrong submission of such information or failure to submit such information within the stipulated time, DC may withdraw the permission granted to the unit for operation.
7. In the event of the Unit failing to fulfill the terms & conditions of Letter of Permission (LOP) / Letter of Intent (LOI) and NFE as prescribed in the EOU Scheme, except when the fulfillment of such conditions is prevented or delayed because of any law & order, proclamation, regulation/ordinance of the Government or the shortfall in fulfillment of NFE is within the permissible norms specified in the monitoring guidelines given at Appendix-14-I-G of the EOU Scheme, the unit would be liable for penal action under the provisions of Foreign Trade (Development & Regulation) Act, 1992 and the Rules & Orders made thereunder.
8. The unit shall also be subject to the conditions stipulated and required for availing exemption from duty of Customs and Excise under the relevant Customs & Excise Notifications and any customs duties/Excise duties and interest payable to / leviable by the Government for failure to fulfill such conditions shall also, without prejudice to any other mode of recovery be recoverable in accordance with the provisions of Section 142 of the Customs Act, 1962/Section II of the Central Excise Act, 1944 and rules made thereunder and/or from any payment due to the Unit from the Government.
9. Any order issued by the Government in this regard shall be final and binding and the Unit thereby undertakes to comply unconditionally with such an order.
10. The unit shall be bound by the changes made in the provisions of EOU Scheme from time to time.
11. The unit shall have an operational Web-Site.
12. Any changes in the Board of Directors/Partners, telephone No., E-mail address, Web-Site, Pass port No., Bank Address and Factory address shall be duly intimated by the unit within a fortnight.
13. Any Stamp Duties payable on this document or any document executed thereunder shall be borne by the Unit.

In witness thereof the common seal of _____ has been here into affixed and for and on behalf of _____ has set and subscribed his hands here into. Common seal of the within named Unit has been affixed here into in the presence.

Signature of (i) Shri _____
(Residential address)



Director and (ii) Shri _____ Director who have been duly authorized for the purpose by a resolution of the Board of Directors of the Company passed at the meeting held on _____ and who have signed in the presence of _____.

1. _____ (Name, Designation and Address)
(Tel. No.
(E-mail Address & web-site)
2. _____ (Name, Designation and Address)
(Tel. No.
(E-mail Address & web-site)

Signed for and on behalf of the President of India

By Shri _____ in the presence of

1. _____ (Name, Designation and Address)
2. _____ (Name, designation and Address)

ANNEXURE-I

EXEMPTION MATERIALS

1. Plant, Machinery and Equipment to be imported.

No.	Description of goods

2. Raw Materials, Components and Consumables to be imported.

No.	Description of goods

3. Plant, Machinery and Equipment and Raw Material, Components and Consumables to be indigenously produced and purchased without payment of Central Excise Duties.

No.	Description of materials

ANNEXURE-II

Period of reporting: (April-June) (July-Sept.) (Oct-Dec) (Jan-March) Quarterly Progress Report for the EOU/units which are under implementation:

1. Details of the unit :

- (a) Name of the unit :
(b) IEC No. :



2. Location of the Factory & Full Address:

- a. Address :
- b. Phone No. :
- c. Fax No. :

3. Regd. Office

- a. Address :
- b. Phone No. :
- c. Fax No. :
- d. Permanent E-Mail Address :
- e. Web-Site :

4. Approval No. and date :

5. Item of manufacture/service – Annual Capacity
(Details of all items to be provided)

- a)
- b)

6. Green Card No. and date
and the period of validity :

7. Present position in regard to
setting up of the unit (Tick whichever
is applicable)

- a. Acquisition of land : Yes No
- b. Erection of Building : To Start/ Started Over/Building purchased
- i. Electricity : Not applied Applied on Available
- 3. Water : Not applied Applied on Available
- e. Telephone/Fax : Not applied Applied on Available

8. Employment:

- a) No. of Men Workers employed in the unit : Managerial Skilled Unskilled
- b) No. of Women workers employed in the unit : Managerial Skilled Unskilled
- c) TOTAL:

6. Imports during the quarter (Rupees in Lakhs) Cumulative During the Quarter

- a. Value of Capital Goods imported
- b. Value of Raw Materials, Components etc. imported
- c. Value of indigenous Capital Goods



purchased.

d. Value of Industrial Raw Materials Components etc. purchased.

10. Sanction of bonding facilities: Yes No
- a. if "yes" date on which warehousing licence issued
- b. if "no" date on which customs/ excise approached.
11. Date likely to commence production :
12. other information :

(Signature with seal of the company)

Place: _____

Date: _____

ANNEXURE-III

FORMAT FOR QUARTERLY REPORT FOR THE WORKING UNITS

Period -----

PERIOD OF REPORTING: QUARTERLY (APRIL-JUNE) (JULY-SEPTEMBER) (OCTOBER-DECEMBER) (JANUARY - MARCH).

1. Name of the Unit & location
2. (a) Permanent E-mail Address (Compulsory)
- (b) Web Site
3. Date of commencement of production

Details of production figures

Quantity(MT/pieces) Value(Rs. in lakhs)

EXPORT(INFLOW) (Rs. in Lakhs) \$ in Million

- 4(i). FOB value of exports for the Quarter
 - a) GCA exports
 - b) RPA exports
 - g. Total:



ii). Deemed export for other categories during the quarter

iii). Cumulative exports/deemed export up to the current quarter

IMPORT (OUTFLOW) (Rs. in Lakhs)

5(i). Cumulative import of RM/consumable etc. during the quarter

(ii). Cumulative import of RM/Consumables etc., consumed up to the quarter

(iii). Cumulative import of capital goods including spares up to the quarter.

6. Net foreign exchange earning Achieved
(NFE)(Column 4 – Column 5 {ii}+Column 5 {iii})

DTA SALE

7. DTA sale Quantity Value

8. Cases of pending Foreign Exchange

Cases of pending Foreign Exchange realisation outstanding for more than 360 days at the end of last quarter/financial year

Date of export : Name of Importer: Address : Amount

(SIGNATURE)
With Seal of Co.

Notes :-

1. The above information should be given separately for each Letter of Permission.

1. QPRs must be submitted electronically only if the zones have provided online facilities.

3. The signature of the authorised signatory of the unit must be sent to the zone electronically

ANNEXURE-IV

FORMAT FOR ANNUAL PROGRESS REPORT FOR THE WORKING UNITS

Period -----

PERIOD OF REPORTING: ANNUAL (APRIL-MARCH)

1. Details of the Unit

a) Name of the Unit



- b) IEC. No.
8. PERIOD OF REPORTING
3. Approval No. & Date
4. Item of manufacture/service – Annual Capacity
(Details of all items to be provided)
- a)
- b)
5. Factory Location/Address/
Telephone No.
6. Regd. Office Address/Tel/Fax No
7. (a) Permanent E-mail Address (Compulsory)
- (b) Web Site
8. Date of commencement of
production
- Details of production figures
- | | Quantity(MT/pieces) | Value(Rs. in lakhs) |
|--|---------------------|---------------------|
|--|---------------------|---------------------|
9. Details of Foreign Exchange
Inflow/Outflow
- | <u>EXPORT(INFLOW)</u> | <u>(Rs. in Lakhs)</u> | <u>\$ in Million</u> |
|-----------------------|-----------------------|----------------------|
|-----------------------|-----------------------|----------------------|
10. FOB value of exports for the
Year
- a) GCA exports
- b) RPA exports
- c) Total:
11. (a) Goods sold in DTA in terms of Para 6.9(b) of the Chapter 6 of the Foreign Trade Policy for year
(b) Deemed export for other categories during the year
Total
12. Cumulative exports up to the current year
13. Cumulative exports up to the previous year
14. Country-wise details of exports
- | <u>IMPORT(OUTFLOW)</u> | <u>(Rs. in Lakhs)</u> | <u>\$ in Million</u> |
|------------------------|-----------------------|----------------------|
|------------------------|-----------------------|----------------------|
15. Opening balance of imported
RM, Consumables etc.,
during the year
16. Raw Materials/consumables
/components etc. imported



- during the year
17. RM/consumables etc. transferred to other units during the year
 18. RM/consumables etc. received under the inter-unit transfer during the year
 19. Cumulative import of RM/consumable etc. during the year
 20. Imported RM/Consumables/ etc., consumed during the year
 - 20(A) Imported RM/consumables etc. not utilised beyond five years.
 21. Closing balance of imported RM/Consumables etc. at the end of year
 22. Opening balance of imported capital goods including spares (Value of capital goods year-wise since inception to be annexed)
 23. Import of capital goods including spares during the year
 24. Capital goods including spares received under inter-unit transfer
 25. Capital goods including spares transferred under inter-unit transfer
 26. Cumulative imports of capital goods including spares during year.
- Sub-Total [Column No. 20 + Column 26]
27. Other FE Outflow (Royalty/ technological know-how/investment /Dividend payment/Travel/Commission etc.) during the year
- TOTAL OUTFLOW [Column No. 20 + 26 +27]
28. Net foreign exchange earning Achieved
 29. Opening balance of indigenous capital goods including spares during the year
 30. Purchase of indigenous capital goods during the year



31. Cumulative balance of indigenous capital goods purchased during the year
32. Opening balance of indigenous RM/Consumables etc., during the year
33. Purchase of indigenous RM/Consumables etc during the year
34. Cumulative balance of indigenous RM/consumables purchased during the year
- 34(A) Imported RM/consumables etc. not utilised beyond five years.

DTA SALE

- | | | | |
|-----|--|---|---------------|
| 35. | (a) Sales of goods effected in DTA if any | <u>Quantity</u> | <u>Value</u> |
| | (b) Sales of rejects in DTA if any: | <u>Quantity</u> | <u>Value</u> |
| | (c) Sale of Waste/Scrap/Remnant | <u>Quantity</u> | <u>Value</u> |
| | (d) Sale of by product | | |
| | (e) Total | <u>Quantity</u> | <u>Value</u> |
| 36. | DTA sale on full duty | <u>Quantity</u> | <u>Value</u> |
| 37. | Items of manufacture/service
Annual capacity (at the end of financial year) | | |
| 38. | Foreign/NRI/Indian investment
(to be submitted annually) | <u>Foreign/NRI</u> | <u>Indian</u> |
| | a. Authorised capital | | |
| | 21. Paid up capital | | |
| | iii) Foreign Direct Investment - | (I) Approved
(II) Actual Inflow
during the year
(III) Cumulative balance
for the year | |
| | iv) NRI capital | (I) Approved
(II) Actual Inflow
during the year
(III) Cumulative balance
for the year | |
| 39. | <u>Employment:</u> | | |



- a) No. of Male Workers employed in the unit Total Managerial Skilled Unskilled
- b) No. of Women workers employed in the unit Total Managerial Skilled Unskilled
10. TOTAL: (a + b)

40. OTHER INFORMATION :

a)	<u>Overseas investment</u>			
	Overseas investment made by the unit at the end of last year			
	a) Less than one year	Amount in \$		
b)	<u>Cases of pending Foreign Exchange realization</u>			
	Cases of pending Foreign Exchange realization outstanding beyond the period stipulated/extended by RBI, at the end of the financial year			
	Date of export	Name and address of importer	Date and number of Shipping Bills	Amount pending realization
				Reasons for non realization
c)	<u>External commercial borrowing</u>			
	External commercial borrowing pending at the end of last year			
	(a) Less than three years	Amount in \$		
	(b) More than three years	-do-		
d)	<u>Revenue contribution</u>			
	Revenue contribution by units			
	(a) Excise duty on DTA sale during the financial year			
	(b) Income tax paid, if any, during the financial year			
	(c) State taxes, cess duties & levies (including CST paid on domestic procurement).			
	(d) Tax deducted at source in respect of employees.			

It is certified that no shipment other than mentioned above are pending realization beyond stipulated period/period as extended by RBI.

(SIGNATURE)
With Seal of Co.

Notes :-

- 1) The above information should be given separately for each Letter of Permission.
- 2) The information given in the formats for APRs should be authenticated by the authorized signatory of the



unit and should be certified for its correctness by a Chartered Accountant/**Cost Accountant** with reference to the account records and registers maintained by the unit.

- 3) APRs must be submitted electronically only if the zones have provided online facilities.
- 4) The signature of the authorised signatory of the unit must be sent to the zone electronically.

APPENDIX- 14-I-H

GUIDELINES FOR SALE OF GOODS IN THE DOMESTIC TARIFF AREA (DTA) BY EOU/EHTP/STP/BTP UNITS:

NOTE: Please see Paragraphs 6.8 and 6.9 of the Chapter 6 of the Foreign Trade Policy.

I. DTA SALE ENTITLEMENT FOR EOU UNITS:

Paragraph 6.8 of the Chapter 6 of the Foreign Trade Policy provide for sale in DTA by EOU/EHTP/STP units. Such sales in the DTA will be governed by the following guidelines: -

- a) The sale of goods in DTA will be subject to the payment of applicable duties as notified from time to time by the Department of Revenue, Ministry of Finance, Government of India. DTA sale includes clearance to any other unit within India under para 6.8.
- b) DTA sale entitlement will be applicable only to those goods and services, which are permissible as per EOU Scheme. No DTA sale will be permissible if such sale is specifically prohibited in the EOU Scheme or the Letter of Permission/Letter of Intent.
- c) Units may opt for DTA sales on a quarterly, half-yearly or annual basis by intimation to the concerned Development Commissioner of SEZ. However, Premier Trading House (PTH) as defined in Foreign Trade Policy (FTP) shall have the option to undertake DTA sales on monthly basis, as well.
- d) The DTA sales entitlement shall be availed of within three years of the accrual of entitlement.
- e) An application for sale of goods in DTA (as per EOU Scheme) by the EOUs shall be submitted to the Development Commissioner concerned in the form given at Annexure-A. The application shall be certified by an independent Cost/Chartered **Cost Accountant** and endorsed by the Bond Officer of Customs/Central Excise having jurisdiction over the unit. The Development Commissioner concerned will determine the extent of the DTA sale admissible and issue authorization in terms of value. However, EOUs having status holder certificate can sell finished goods into DTA under para 6.8(a) of Foreign Trade Policy under intimation to concerned Development Commissioner and Jurisdictional Central Excise Authority in terms of Para 6.38.8 of Handbook. DTA sale in terms of para 6.8(a) of Policy shall be allowed only after adjustment of advance DTA sale permission.
- f) Advance DTA sale permission not exceeding the entitlement accruable on the exports envisaged in the first year shall be permitted and such sale shall be adjusted against the subsequent entitlements in a maximum period of two years. However, drugs and pharmaceuticals units can make advance DTA sale of the production on the exports envisaged in the first two years adjustable against subsequent entitlements within a maximum period of three years from the date of commencement of production by the unit. The Unit shall be required to execute a bond with the Assistant Commissioner Customs/Central Excise concerned to cover the difference between the amount of duties paid on the advance DTA sale and the full duties applicable on such goods
- g) Advance DTA sales permission would also be admissible in cases of capacity expansion/product diversification. In such cases, the unit would be entitled to advance DTA sales linked to the exports



envisaged from the expansion or new production streams or through product diversification. However, no advance DTA sale would be admissible to a DTA unit converted into EOU except in respect of new production stream as a result of change of technology or on account of its expanded capacity for export.

- h) The DTA sale entitlement would accrue only if the unit has achieved positive NFE on cumulative basis. In case a unit has not achieved positive NFE in a particular year and thus becomes ineligible for DTA sale permission, the NFE and DTA entitlement in the subsequent year (s) within the block period as per Para 6.5 of FTP is to be seen with reference to cumulative value of imports and exports of earlier year(s). This will, however, not alter the period allowed for adjustment of advance DTA sale.
- i) EOUs engaged in the manufacture of perishable items like floriculture, horticulture, pisciculture can also avail the facility of simultaneous sale in DTA of such perishable items on quarterly basis, while earning DTA entitlement on exports made during the said quarter. Such permission can be granted in advance by the DC concerned subject to the condition that the unit has achieved positive NFE cumulatively up to the previous quarter.
- j) Units in the service sector can also avail DTA sale as per procedure mentioned above.

II. SALE OF GEM & JEWELLERY PRODUCTS:

DTA sale of Gem & Jewellery items will be permitted on annual basis by the Development Commissioners up to 10% of FOB value of exports during the preceding year subject to following conditions:

- a) The application by an EOU will be submitted to DC concerned on yearly basis (licensing-year) giving the details of production and exports made during the preceding licensing year duly certified by a Chartered Accountant /Cost Accountant and endorsed by the jurisdictional Custom Authority.
- b) The DTA sale of plain jewellery shall be permitted on payment of concessional rate of duty in Indian Rupees as applicable to sale from nominated agencies. In respect of studded jewellery, duty shall be payable in Indian Rupees as notified by Customs.
- c) Advance DTA sale permission not exceeding the entitlement accruable on the exports envisaged in the first year shall be permitted and such sale shall be adjusted against the subsequent entitlements in a maximum period of two years. The Unit shall be required to execute a bond with the Assistant Commissioner Customs/Central Excise concerned to cover the difference between the amount of duties paid on the advance DTA sale and the full duties applicable on such goods.

III. OTHER SUPPLIES IN DTA:

- (i) Sale under para 6.9 of the Chapter 6 of the Foreign Trade Policy

The following guidelines shall apply to the sale of goods in the DTA in respect of supplies specified in paragraph 6.9 of the EOU Scheme:

- a) The unit shall, at the time of application, indicate the quantity and value of goods sought to be supplied in the DTA. If the sale is effected against an import license held by the DTA purchaser, the Customs/Central Excise Officer concerned will allow such sales after making a suitable entry on the license of the quantity and value of such sales. The Import license shall cease to be valid for further imports to the extent of such supplies effected by units.
- b) If, the goods proposed to be sold by the units do not require an import license, the Customs/Central Excise Officer concerned will allow such supplies from the unit to the DTA.
- c) Goods supplied under (a) and (b) above will be taken into account for the purposes of achievement of NFE.



The unit will file a quarterly statement to the Development Commissioner giving details of the goods cleared in the DTA category-wise.

IV. SALE OF REJECTS

Sale of rejects is also permitted in the DTA, as provided for in para 6.8 (d) of the Chapter 6 of the Foreign Trade Policy

V. SALE OF BY-PRODUCTS:

The sale of by-products in the DTA is also permitted as per provision of para 6.8 (g) of the Chapter 6 of the Foreign Trade Policy after inclusion of the item in LOP/LOI.

ANNEXURE – A

APPLICATION FOR DTA SALE PERMISSION

UNDER PARA 6.8(a) of the Chapter 6 of the Foreign Trade Policy -- FOR THE PERIOD (QUARTERLY/HALF YEARLY/ANNUAL)

I. PROJECT DETAILS:

1. Details of the unit

(i) Name & Address of the unit:

(ii) IEC No.

2. LOI/LOP/IL No. & Date:

3.	Details of the products approved for manufacture and export in the LOP/LOI/IL	Item(s) of Manufacture/ Service	Present installed capacity
		1. 2. 3.	

4. Date of commencement of production:

II DETAILS OF ADVANCE DTA SALE

5.	Details of advance DTA sale permitted, if any	Approval No. and Date	Particulars of products /service permitted	Value
1.				
2.				
3.				
Total				

DETAILS OF DISPATCH UNDER PARA 6.8(a), (d), (e) & (g) of the Chapter 6 of the Foreign Trade Policy



6.	Details of DTA sale effected (Please indicate the period)	Description of goods/service sold in DTA as DTA sale	Value
1.			
2.			
3.			
Total			

III. PRODUCTION DETAILS FOR THE APPLICATION PERIOD

Gross production

I.	Description of goods produced/manufactured /service	Total Production including rejects and waste/scrap	
		Quantity	Ex-factory value
1.			
2.			
Total			

IV. DETAILS OF PHYSICAL EXPORTS FOR THE APPLICATION PERIOD

	FOB value of Physical Exports	Value of rejected consignment, if any	Net FOB value of Physical Exports
1.			
2.			
3.			
Total			

V. NET FOREIGN EXCHANGE EARNINGS

NFE achieved on exports in the block period as per para 6.5 of FTP or less as applicable (Calculation Chart enclosed)

VI. PARTICULARS OF PROPOSED DTA SALE

Description of the items proposed to be sold in DTA	Value
---	-------



1.	
2.	
3.	
Total	

DECLARATION

I/We hereby declare that the information given above is true and correct

Signature of the applicant

Name

Designation

Seal of the Company

CHARTERED ACCOUNTANTS / COST ACCOUNTANTS CERTIFICATE

We have checked and verified the figures mentioned above from the records and books of account of company and found them true and correct

Signature

Name

Membership No

Seal

CERTIFICATE BY CENTRAL EXCISE AUTHORITY

Verified from the records and found correct by Inspector / Supdt. Of Central Excise & Customs I/C of the factory

Signature

Name

Seal

Note: Each page may be verified and signed by the Chartered Accountant/Cost Accountant

CALCULATION CHART (TO BE CERTIFIED BY A CHARTERED ACCOUNTANT / **COST ACCOUNTANT** SHOWING NFE ACHIEVED IN THE BLOCK PERIOD AS PER PARA 6.5 OF FTP OR LESS AS APPLICABLE

1. DETAILS OF EXPORTS:

(Rs. In Lakhs)

i)	F.O.B. value of physical exports made in the block period as per para 6.5 of FTP or less as applicable	Rs.
ii)	Value of supplies made under para 6.9 of the Chapter 6 of the Foreign Trade Policy	Rs.
iii)	Total	Rs.

2. DETAILS OF CAPITAL GOODS INCLUDING DG SET AND OTHER OFFICE EQUIPMENTS IMPORTED IN THE BLOCK PERIOD AS PER PARA 6.5 OF FTP OR LESS AS APPLICABLE



(I) CIF VALUE OF IMPORTED CAPITAL GOODS (YEAR WISE) IN THE BLOCK PERIOD AS PER PARA 6.5 OF FTP OR LESS AS APPLICABLE

Ist year	IIInd year	IIIrd year	IVth year	Vth year	Total

(II) VALUE OF IMPORTED CG PROCURED FROM ANOTHER EOU/SEZ UNIT OR FROM A LEASING COMPANY IN THE BLOCK PERIOD AS PER PARA 6.5 OF FTP OR LESS AS APPLICABLE

Ist year	IIInd year	IIIrd year	IVth year	Vth year	VIth year

3.	AMORTISED VALUE OF CAPITAL GOODS (Please see Note below for calculation)	Rs.

4.	DETAILS OF IMPORTED RAW MATERIAL	
(i)	Total CIF value of imported raw materials, consumables including POL products and components etc. in the block period as per para 6.5 of FTP or less applicable	Rs.
(ii)	Value of purchases made under Para 6.9 (b) & para 6.13(a) &(c) of Chapter 6 of the Foreign Trade Policy in the block period as per para 6.5 of FTP or less applicable	Rs.
(iii)	Value of goods indicated at (i) & (ii) above held in stock or under process at the end of the relevant period	Rs.
(iv)	Value of raw materials etc. used in goods produced and cleared from the unit $\{[(i) + (ii)] - [(iii)]\}$	Rs.

5. Total value of indigenous raw materials, consumables Rs. _____ components etc, used in goods produced and cleared from the unit in the block period as per para 6.5 of FTP or less as applicable

6. OTHER OUTFLOW OF FOREIGN EXCHANGE IN THE BLOCK PERIOD AS PER PARA 6.5 OF FTP OR LESS AS APPLICABLE

(i)	Dividends	Rs.
(ii)	Profit	Rs.
(iii)	Technical know how fee	Rs.
(iv)	Royalty	Rs.
(v)	Commission	Rs.
(vi)	Foreign travel	Rs.
(vii)	Any other outflow in foreign exchange (Please indicate details)	Rs.
Total		Rs.



7. NFE achieved

$$A - B > 0$$

Where A = FOB value of exports

B = Sum total of value of imported inputs used. Proportionate (amortised) value of imported capital goods, technical know-how fee and other expenses made in foreign exchange

Note: The proportionate (amortized) value of imported capital goods and technical know-how fee shall be calculated as per the formula given in note (iii) of para 6.9.4 of the Chapter 6 of the Handbook of Procedures (Vol. I).

APPENDIX – 14-I-I

Procedure to be followed for reimbursement of Central Sales Tax (CST) on supplies made to EOUs, units in EHTP and STP.

Note: Please see paragraph 6.11(c)(i) of the Chapter 6 of Foreign Trade Policy

1. The procedure given hereunder shall be applicable for reimbursement of Central Sales Tax.
2. The Export Oriented Units (EOUs) and units in Electronic Hardware Technology Park (EHTP) and Software Technology Park (STP) will be entitled to full reimbursement of Central Sales Tax (CST) paid by them on purchases made from the Domestic Tariff Area (DTA), for production of goods and services as per EOU Scheme on the following terms and conditions:
 - (a) The supplies from DTA to EOU/EHTP/STP units must be utilized by them for production of goods/services and may include raw material, components, consumables, packing materials, capital goods, spares, material handling equipment etc. on which CST has been actually paid by the EOU/EHTP/STP.
 - (b) While dealing with the application for reimbursement of CST, the Development Commissioner or the designated officer of EHTP/STP shall see, inter alia, that the purchases are essential for the production of goods/services by the units.
 - (c) For payment of interest in accordance with para 6.11 (c) (i) of FTP, separate application for claiming interest is not required and a single cheque for main claim and interest can be issued to the claimant. However, separate account will be maintained by Development Commissioner of Special Economic Zones for the amount of interest disbursed by them.

3. The procedure to be followed in this regard is indicated hereinafter and shall be strictly adhered to:

Procedure:

- (i) The unit shall present its claim for reimbursement of CST in the prescribed form (Annexure - I) to the Development Commissioner of the SEZ concerned or the designated officer of the EHTP/STP
- (ii) As soon as the goods are received by the EOU/EHTP/STP unit in its premises it will be entered in the material receipt register kept for the purpose. The register must show the details of goods, quantity, the source of purchase and the 'C' Form against which purchase is made, etc. which will be subject to periodical check by the authorised staff of the Zone/Customs administration. A Chartered Accountant's/ Cost Accountant's certificate regarding the verification of the materials receipt register relevant to the claim as at Annexure - II shall be submitted along with the claim.
- (iii) The reimbursement of CST shall be admissible only to those units who get themselves registered with the Sales Tax authorities in terms of Section 7 of the CST Act, 1956 read with (Registration and Turnover) Rules, 1957 and furnish a Photostat copy of the Registration Certificate issued by the Sales Tax authorities to the Zone office concerned for keeping it in the relevant file.



- (iv) Claims shall be admissible only if payments are made through the bank accounts maintained by EOU/EHTP/STP unit or DD emanated from its accounts.
- (v) The claim shall be submitted along with the following documents:
 - a) Chartered Accountant's /**Cost Accountant's** Certificate, meeting the following criteria, certifying receipt of the goods as shown in Annexure-II in the bonded premises, scrutiny of original invoice/bill of the supplier and proof of payment against each invoice/bill and its reconciliation with 'C' Form. In case of IT enabled services (ITES)/Business Process Outsourcing (BPO) units, reconciliation with 'C' form will not be necessary as they are not eligible for issue of 'C' form.

Eligibility criteria for C.A./ Cost Accountant Firms:

- (i) In case of units located in the States of J&K, Orissa, North-Eastern States, Andaman and Nicobar islands and Lakshadweep, the Chartered Accountant/Cost Accountant firm should be at least a Sole Proprietorship firm who should be an FCA/FCMA and engaged full time with the firm.
 - (ii) In case of partnership Chartered Accountant/ Cost Accountant firms located in the regions indicated in (i) above, should have at least two full time partners, one of whom should be an FCA/FCMA.
 - (iii) In case of units located in other regions, the partnership Chartered Accountant/**Cost Accountant firms** should have at least one full time partner, who should be an FCA/FCMA.
 - (iv) For the regions indicated in (i) above, the Chartered Accountant/**Cost Accountant** be located in the area where the unit is situated otherwise qualification of (iii) shall apply.
- b) Photostat copy of C Form except in case of IT enabled Services (ITES)/Business Process Outsourcing (BPOs) Units, issued by the EOU/EHTP/STP to the supplier in the DTA with reference to the counterfoil produced by the unit. The counterfoil of C form will be returned to the unit after making suitable endorsement like 'cancelled /CST reimbursed' duly signed by the authorised officer of the Zone administration. While making the endorsement only, the items for which CST has been reimbursed should be indicated as cancelled and the Photostat copy will be retained by the officer for keeping in respective file. In the event of the same 'C' form being used again, the verification could be done at the time of scrutiny from the self-attested photocopies. The firm must indicate the file No. on which the original stands submitted.
- (vi) The reimbursement will be limited to the payment of CST against C Form only except in case of IT enabled services (ITES)/Business Process Outsourcing (BPO) units.
 - (vii) The EOU/EHTP/STP shall also intimate the name of the person/persons who are authorised by them to sign the C Form and furnish three copies of his/their specimen signature(s) which will be kept in the relevant file of the unit.
 - (viii) Reimbursement of CST will be made on quarterly basis. The application for claiming reimbursement should be filed within a period of 6 months from the completion of the quarter in which the claim has arisen. In case of procurement of goods against payment in installments, the CST reimbursement claim may be made in the quarter in which the full payment has been effected against the invoice/bill. Whenever application is received after expiry of last date of submission of such application, provisions of para 9.3 of the HBP Vol. 1, would apply.
 - (ix) Application for supplementary claim will be considered as per provisions of para 9.4 of HBP Vol I.
 - (x) The claim for CST reimbursement for the amount below Rs. 100/- on any single invoice shall not be entertained.
 - (xi) The disbursing authority for the claim of reimbursement of CST will be Development Commissioner/designated officer of EHTP/STP who will make payment to the units. All claims shall be subjected to post audit.
 - (xii) The unit shall preserve for three years all the original documents viz. Original invoice/bill, money receipt/bank statement for random/sample checking and produce the same as and when called for by the office of the Development Commissioner. Random checking of 5% of the claims of a particular quarter should be done in the next quarter through generation of computer statements on the basis of



serial numbers. The random list will be generated by the Development Commissioner personally.

(xiii) In case some glaring error or irregularity is detected against any unit in claiming CST reimbursement, action to recover the amount paid and levy penalty would be taken under FTDR Act against such unit.

(xiv) Any dues of the Government viz. arrears of Lease rent, amount on account of a Court's decree or Income tax recovery note, etc. will also be deductible from the claim amount or it can be set off from the subsequent payment.

ANNEXURE 1

Application for claiming reimbursement of Central Sales Tax against 'C' Form and in case of IT enabled Services (ITES)/Business Process Outsourcing (BPOs) Units without 'C' form for the goods brought into the bonded Premises of the EOU/EHTP/STP for the quarter ending on -----

1. Name of the applicant	:
2. Full postal address	:
3. (a) No. and date of letter of Approval issued under EOU/ EHTP/ STP Scheme (b) Whether the Letter of Approval is still valid on the date of this application.	:
4. Registration No:(With date or issue) issued by S.T. Authorities under CST Act 1956	:
5. Details of the goods brought into units (i) Name and address of the supplier (including the name of the state where the supplier is located) (ii) Description of Goods (iii) Quantity (iv) Value (v) Date of purchases of goods (vi) Date of receipt of goods in the Customs Bonded Premises of the EOU unit (vii) Total amount of CST paid against 'C' Form (viii) Total amount of CST paid (Without 'C' form) by ITES/BPO Unit (ix) Sales Tax Registration No. & date of the supplier under Section (j) of the Central Sales Tax Act, 1956.	:
6. Amount of CST claimed	:

Undertaking and Declaration

I/We hereby solemnly undertake/declare that the particulars stated above are true and correct to the best of my/our knowledge and belief.

No other application for claiming CST has been made or will be made in future against purchase covered by the application.

(a) The goods for which the claim has been made are meant for utilization/production of goods/services of the EOU/EHTP/STP unit and will be utilised only in our factory and we shall not divert or dispose off the material procured without obtaining prior permission of the concerned Development Commissioner.

(b) The goods for which the claim has been made have been entered into the stock register maintained by the unit.

(c) Any information, if found to be incorrect, wrong or misleading, will render/us liable to rejection of our claim without prejudice to any other action that may be taken against us in this behalf.



If as a result of scrutiny any excess payment is found to have been made to me/us, the same may be adjusted against any of the subsequent claims to be made by my/our firm or in the event no claim is preferred, the amount overpaid will be refunded by me/us to the extent of the excess amount paid.

Signature :
 Name in Block Letters :
 Designation :
 Name of the Applicant :
 Firm :

ANNEXURE - II

CHARTERED ACCOUNTANT/COST ACCOUNTANT CERTIFICATE

I/We hereby confirm that I/We have examined the prescribed material receipt registers, books of account and the bank statement in respect of the goods mentioned in the table appended, and each entry of the application of M/s _____ for the period----- and hereby certify that:

(i) The following documents/records have been furnished by the applicant and have been examined and verified by me/us, namely material handling registers certified by the zone administration/Bonding Officer, original invoice/bill, books of accounts and I Bank statement,

(ii) Relevant registers have been authenticated under my/our seal, signatures. It has been ensured that the information furnished is true and correct in all respects, no part is false or misleading and no relevant information has been concealed or withheld.

(iii) The Payment has been made by the said M/s. _____ to the DTA suppliers in respect of goods received against the original invoice bill(s) as indicated in the table annexed hereto.

(iv) The payments have been made through normal banking channel and have been credited to the accounts of the DTA suppliers.

(v) Such payment includes the amount of CST indicated in the respective invoices.

(vi) All the items shown in the table are admissible for reimbursement of CST under provisions of EOU Scheme

Neither I/We nor any of our partners is a partner/Director or an employee of the above named entity or its associated concerns.

I fully understand that any submission made in this certificate if proved incorrect or false, will render me/us liable to face any penal action or other consequences as may be prescribed in the law or otherwise warranted.

Signature & Stamp/seal of the Signatory _____
 Name _____
 Membership No. _____
 Full address _____

Name and address of the Institution where registered.

Date:
 Place:



TABLE

DETAILS OF GOODS BROUGHT INTO UNIT AND CENTRAL SALES TAX PAID DURING THE QUARTER

- (i) S. No
- (ii) Name and address of the supplier
- (iii) Nature and description of goods
- (iv) Quantity received and accepted
- (v) Invoice value accepted
- (vi) Invoice/Bill No. and date:
- (vii) Date of Receipt of the goods and S. No. of entry in material receipt register.
- (viii) CST Amount paid
- (ix) 'C' Form No.
- (x) Cheque/DD No. date and amount
- (xi) Name of Bank and Branch
- (xii) CST Registration No. of the supplier:

Note: Table shall show supplier-wise sub-total and grand total of column (v), (vii) and (x) Cheque/DD amount.

Signature & Stamp / seal of the Signatory _____
 Name _____
 Membership No _____
 Full address _____

Name and address of the Institution where registered.

Date:
 Place:

ANNEXURE III

MINISTRY OF COMMERCE & INDUSTRY
 (O/o DEVELOPMENT COMMISSIONER, SEZ)

File No.....

Dated

To

.....
 (Name & Address of the firm).....

Subject: Application for payment of CST/Intimation letter (Approval Letter) for admitted claims (Ripe cases).

Sir,

I am to refer to your application dated for payment of Central Sales Tax in respect of supplies made to EOUs.

2. Your application has been processed after removal of deficiencies and the case has been admitted for



payment of Rs..... on (Date of approval) during the month offor refund of CST (strike out the Scheme not applicable). The case is ripe for payment and cheque will be issued towards settlement of the claim upon receipt of funds from the Department of Commerce, Govt. of India.

Yours faithfully,

Assistant Development Commissioner
For Development Commissioner

APPENDIX 15 A

APPLICATION FOR CERTIFICATION OF EXPORT PERFORMANCE OF UNITS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY SECTORS BY THE REGIONAL OFFICES OF THE DGFT AS PER CUSTOMS NOTIFICATION NO 21/2002 DATED 1.03.2002 AS AMENDED FROM TIME TO TIME

1. Name and Address of the Applicant
2. IEC Number
3. Details of exports and import entitlement:

Preceding licensing year's physical exports (in Rs crores)	Entitlement @ 25 % of the FOB value of physical exports	Cumulative imports already undertaken under Customs Not 21/2002 (in Rs. crores)	Balance import entitlement (in Rs. crores) (2) – (3)	CIF Value of Import to be undertaken under this application (In Rs. crores)	Balance entitlement of imports (4) – (5)
(1)	(2)	(3)	(4)	(5)	(6)

Declaration/Undertaking by the Proprietor/Partner/Director

- a. We/I hereby declare that the said goods are imported for use in pharmaceutical and biotechnology sector and shall be used in the manufacture of commodities only.
- b. We/ I hereby undertake that the total value of goods imported during 2005-2006 under Customs Notification No 21/2002 will not exceed 25% of the FOB value of exports in the financial year 2004-2005.
- c. We/I hereby undertake that the imported goods would be installed in the factory of the importer within 6 months of the date of importation. These goods would not be transferred or sold for a period of 7 years from the date of installation.
- d. We/I hereby declare that the Research and Development wing of the unit which has undertaken these imports is registered with the Department of Science and Industrial Research in the Ministry of Science and Technology of the Government of India.
- e. We/I hereby declare that the above statements are true and correct and nothing has been concealed or held there from. We/I fully understand that any information furnished if proved incorrect or false will



render us/me liable for penal action and other consequences as may be prescribed in the FTDR Act 1992, Foreign Trade Regulation Rules, 1993 and Orders framed thereunder, and any other law in force.”

Name of the Proprietor/ Director (s)/ Partner (s)

Signature of the Proprietor/Director(s)/ Partner(s)

Designation

Date:

Place:

CHARTERED ACCOUNTANTS/ COST ACCOUNTANTS CERTIFICATE

This is to certify that the We/ I have verified the details furnished by the unit as at S. Nos 1 to 3 along with the Declaration/ Undertaking given by the Proprietor/ Partner/ Director of the unit(s) and find them to be true and correct.

Chartered Accountant's/ Cost Accountant's Name

CA/Cost Accountant Number

Address

VERIFICATION BY THE REGIONAL OFFICE OF THE DIRECTORATE GENERAL OF FOREIGN TRADE

This is to verify that the details supplied by the firm in the said Appendix have been verified by the Chartered Accountant / Cost Accountant and are correct as per the records submitted by the Unit to this office. The certificate is issued for allowing duty free import of listed equipment given in List 27A of the Customs Notification 10/2002 dtd 21.02.2002 for a value of Rs words and figures subject to conditions mentioned in the aforesaid Customs Notification.

Date:

Place:

Foreign Trade Development Officer

Office of the Joint Director General of Foreign Trade,

APPENDIX 15 B

APPLICATION FOR CERTIFICATION OF EXPORT PERFORMANCE OF UNITS IN AGRO CHEMICALS SECTORS BY THE REGIONAL OFFICES OF THE DGFT AS PER CUSTOMS NOTIFICATION NO 21/2002 DATED 1.03.2002 AS AMENDED FROM TIME TO TIME

1. Name and Address of the Applicant
2. IEC Number
3. Details of exports and import entitlement:

Preceding licensing	Entitlement @ 1 % of the	Cumulative imports	Balance import entitlement	CIF Value of Import to be	Balance entitlement of
---------------------	--------------------------	--------------------	----------------------------	---------------------------	------------------------



year's physical exports (in Rs crores)	FOB value of physical exports	already undertaken under Customs Not 21/2002 (in Rs. crores)	(in Rs. crores) (2) – (3)	undertaken under this application (In Rs. crores)	imports (4) – (5)
(1)	(2)	(3)	(4)	(5)	(6)

Declaration/Undertaking by the Proprietor/Partner/Director

- We/I hereby declare that the said goods are imported for Research & Development only.
- We/ I hereby undertake that the total value of goods imported during 2005-2006 under Customs Notification No 21/2002 will not exceed 1% of the FOB value of exports in the financial year 2004-2005.
- We/I hereby undertake that the imported goods would be installed in the factory of the importer within 6 months of the date of importation. These goods would not be transferred or sold for a period of 7 years from the date of installation.
- We/I hereby declare that the imports by the unit are for Research & Development in the agro chemical sectors.
- We/I hereby declare that the Research and Development wing of the unit which has undertaken these imports is registered with the Department of Scientific and Industrial Research in the Ministry of Science and Technology of the Government of India.
- We/I hereby declare that the above statements are true and correct and nothing has been concealed or held there from. We/I fully understand that any information furnished if proved incorrect or false will render us/me liable for penal action and other consequences as may be prescribed in the FTDR Act 1992, Foreign Trade Regulation Rules, 1993 and Orders framed thereunder, and any other law in force.

Name of the Proprietor/ Director (s)/ Partner (s)
 Signature of the Proprietor/Director(s)/ Partner(s)
 Designation
 Date:
 Place:

CHARTERED ACCOUNTANTS/COST ACCOUNTANTS CERTIFICATE

This is to certify that the We/ I have verified the details furnished by the unit as at S. Nos 1 to 3 along with the Declaration/ Undertaking given by the Proprietor/ Partner/ Director of the unit(s) and find them to be true and correct.

Chartered Accountant/Cost Accountant's Name
 CA/ Cost Accountant Number

Address

VERIFICATION BY THE REGIONAL OFFICE OF THE DIRECTORATE GENERAL OF FOREIGN TRADE



This is to verify that the details supplied by the firm in the said Appendix have been verified by the Chartered Accountant /Cost Accountant and are correct as per the records submitted by the Unit to this office. The certificate is issued for allowing duty free import of listed equipment given in List 28-A of the Customs Notification 10/2002 dated 01.03.2002 for a value of Rs words and figures subject to conditions mentioned in the aforesaid Customs Notification.

Date:

Place

Foreign Trade Development Officer

Office of the Joint Director General of Foreign Trade,

APPENDIX 22D

CERTIFICATE FOR OFFSETTING OF EXPORT PROCEEDS

1. Name and address of exporter
2. IEC number
3. E-Mail of the applicant

4. Specific mode of off-setting (please tick)	
i. Import payables	
ii. Equity Investment	
iii. Loan Repayment	
iv. Dividend Repayment	
v. Others (Provide details)	

5. Export Details

Invoice		Shipping bill against which offset has been done		Description of goods	Scheme under which offsetting undertaken	Amount offsetted (in free foreign exchange)	Date of offsetting
No.	Date	No.	Date	(7)	(5)	(6)	(7)
(1)	(2)	(3)	(4)	(7)	(5)	(6)	(7)

(DECLARATION/UNDERTAKING TO BE GIVEN BY THE APPLICANT)

1. I/We hereby declare that the particulars and the statements made in this application are true and correct to the best of my/our knowledge and belief and nothing has been concealed or held therefrom.
2. I/We full understand that any information furnished in the application if proved incorrect or false will render me/us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
3. I/We undertake to abide by the provisions of the Foreign Trade (Development and Regulation) Act, 1992, the Rules and Orders framed thereunder, the Export and Import Policy, Handbook of Procedures and any other documents issued under the Policy.
4. I hereby certify that I am authorised to verify and sign this declaration as per Paragraph 9.9 of the Policy.
5. I/we hereby certify that none of the Proprietor/ Partner(s)/ Director(s)/Karta of the firm or company is a



Proprietor/ Partner(s)/ Director(s)/Karta of the firm/Company, which has come to the adverse notice of DGFT.

6. I/We certify that the RBI permission vide letter no. _____ dated _____ has been obtained for the said offsetting of export proceeds realised under _____ scheme.

Name:
 Designation:
 Official Address:
 Tele. No.:
 Residential Address:

Place:

Date:

ANNEXURE TO APPENDIX 22 D

CERTIFICATE OF CHARTERED ACCOUNTANT/COST ACCOUNTANT

(Note: This certificate is to be submitted in lieu of the Bank Certificate of Exports and Realisation)

(i) The following documents/ records have been furnished by the applicant and have been examined and verified by me/us namely:-

Export order/ Contract, shipping bills, Bill of Lading (and/ or Airways Bills/ Receipts). Customs/Bank attested Invoices,

(ii) I/We verify that the offsetting has been carried out with the specific consent of the Reserve Bank of India as contained in letter no. _____ dated _____ and is in accordance with the rules/regulations in force.

(iii) It has been ensured that the information furnished is true and correct in all respect; no part of it is false or misleading and no relevant information has been concealed or withheld;

(iv) Neither I, nor any of my partners/director is a partner, director, or an employee of the above-named entity or its associated concerns;

(v) I/We fully understand that any statement made in this certificate, if proved incorrect or false, will render me/us liable for any penal or other consequences as may be prescribed in law or otherwise warranted.

(Signature and Stamp/Seal of the Signatory)

(Chartered Accountant/Cost Accountant)

Name of the Signatory:

Full Address:

Membership No:

Place:

Date:

Documents to be enclosed with this Certificate

(i) Specific permission of the Reserve Bank of India

(ii) Letter from the parent company/buyer etc. indicating the proposal for offsetting of export proceeds



APPENDIX 23

REGISTER FOR ACCOUNTING THE CONSUMPTION OF STOCKS OF DUTY FREE IMPORTED OR DOMESTICALLY PROCURED RAW MATERIALS, COMPONENTS, ETC.ALLOWED UNDER ADVANCE AUTHORISATION BY THE ACTUAL USER *

INPUTS ALLOWED IN THE AUTHORISATION (S) (A NO. OF AUTHORISATIONS CAN BE CLUBBED TOGETHER FOR THE PURPOSE OF ACCOUNTING OF INPUTS)				PRODUCT(S) EXPORTED UNDER THE AUTHORISATION (S)				EXCESS INPUTS, IF ANY ALLOWED UNDER THE AUTHORITY (S).	IN CASE OF EXCESS AS IN COLUMN 9			RE MARKS
Sl No.	Authorisation No(s) with date (A No. of Authorizations can be clubbed together for accounting purpose)	Inputs	Quantity	Product	Quantity	Inputs Actually consumed for the exported product			(4-8)	Additional exports effected in proportion to excess inputs	Input quantity reduced proportionately in the authorization*	
						Inputs	Quantity (Including actual wastage incurred)					
1	2	3	4	5	6	7	8	9	10	11	12	13

*in case of post export replenishment, details of inputs used (whether duty paid or not) in the exported product has to be furnished

** applicable only in case either partial import or “Nil” import has been effected

*** In case of transferable DFIA, information in the above format has to be furnished individual DFIA wise.

Appendix 23 Continued

CHARTERED ACCOUNTANT / COST ACCOUNTANT CERTIFICATE

I/We hereby confirm that I / We have examined the prescribed registers and also the relevant records of M/s.....having IEC number..... and PAN number.....for the licensing period(s)and hereby certify that the information furnished above is true and correct in all respects; no part of it is false or misleading and no relevant information has been concealed or withheld;

I / We fully understand that any statement made in this certificate, if proved incorrect or false, will render me / us liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.

I/We further declare that neither I, nor any of my / our partners is a partner, director, or an employee of the above-named entity, its Group companies or its associated concerns.

Signature and Stamp/Seal of the Signatory
(Chartered Accountant /Cost Accountant)

Name of the signatory:

Address:

Membership No:

Place:

Date:

Note:

1. Each page of this document is to be signed by the Chartered Accountant / Cost Accountant with his registration number.
2. Mention N.A. wherever the information required in the table is not applicable.
3. For columns 10, 11 & 12 of the table, please furnish the copy of the documentary evidence.



4. The authorization holder is required to furnish the details for the authorisations which have been redeemed in the last licensing year.

APPENDIX 26

CERTIFICATE OF CHARTERED ACCOUNTANT/ COST ACCOUNTANT/COMPANY SECRETARY (FOR ISSUE OF EPCG AUTHORIZATION)

I/We hereby confirm that I/We have examined the prescribed registers and also the relevant records of M/shaving IEC number..... and PAN number.....for the licensing period(s)and hereby certify that:

- I. The following documents/ records have been furnished by the applicant firm/company and have been examined and verified by me/us namely: -
- a. Statutory documentation under the Customs Act 1962 and Excise Act 1848, Service Tax Act, Foreign Trade (Development & Regulation) Act 1992;(list out below along with latest copies of relevant documents):-
- (i)
- (ii)
- b. For export of goods:
- (i) Export Order/Contract,
- (ii) Shipping Bills,
- (iii) Bill of Lading (and/or Airways Bills/PP Receipts),
- (iv) Customs/Bank attested Invoices,
- (v) Bank Certificates of exports and realization,
- (vi) GR declaration etc and
- (vii) Connected books of accounts;
- c. For export of services:
- (i) Bank Certificate of direct foreign exchange earning,
- (ii) GR declaration;
- (iii) Forward Inward Remittance Certificates (FIRC's)
- (iv) Certificate from International Credit Card Companies,
- (v) C.A/COST ACCOUNTANT certificate for the indirect sources, (In respect of indirect forex earnings duly certified by Chartered Accountant/Cost Accountant such as amount received from Travel agents/Tour Operators, Foreign Airlines for stay of Crew and Catering, UN organizations and Diplomatic Missions and Encashment Certificate from authorized dealers and others in terms of DGFT Policy circular no.60/97-2002 dated 24.12.1998)
- (vi) Certified statements from the Banker/ Chartered Accountant/Cost Accountant of Foreign Exchange Earnings and connected books of accounts.
- II. The relevant accounting and financial register(s) as prescribed under different Acts and Rules made there under have been maintained and authenticated under my/our seal and signature. The information given by the applicant firm/company in the 'Aayaat Niryaat Form' including details on
- a. imports/exports made and services rendered,
- b. foreign exchange earnings/ realization (both from direct and indirect sources)
- c. third party exports
- d. deemed exports



Is in agreement with the Foreign Trade Policy 2009-14 and the rules and procedures made there under, the relevant register and records and the books of accounts maintained by M/s and their subsidiaries and is also true and correct.

- IV. It has been ensured that the information furnished is true and correct in all respects; no part of it is false or misleading and no relevant information has been concealed or withheld;
- V. Neither I, nor any of my/our partners is a partner, director, or an employee of the above-named entity, its Group companies or its associated concerns;
- VI. I/We fully understand that any statement made in this certificate, if proved incorrect or false, will render me/us liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.
- VII. Details of export of same/similar products made during the Preceeding 3 years as in column 12 of ANF 5A:

Financial Year	FOB Value	
1.	US \$	Rs.
2.	US \$	Rs.
3.	US \$	Rs.

(Signature and Stamp/ Seal of the Signatory)
(Chartered Accountant/Cost Accountant /Company Secretary)

Name of the Signatory:

Address:

Place:

Date:

Membership No:

If any of the documents of record mentioned in serial number (I) have not been maintained/ furnished, examined or verified, they may please be specified below:-

- 1.
- 2.

Note: Each page of this annexure is to be signed by the Chartered Accountant /Cost Accountant with his registration number.

APPENDIX 26 A
CERTIFICATE OF CHARTERED ACCOUNTANT
COST ACCOUNTANT/COMPANY SECRETARY (FOR EPCG
REDEMPTION)

I/We hereby confirm that I/We have examined the prescribed registers and also the relevant records of M/shaving IEC number..... and PAN number.....for the licensing period(s)and hereby certify that:

- I. The following documents/ records have been furnished by the applicant firm/company and have been examined and verified by me/us namely: -
 - (a) Statutory documentation under the Customs Act 1962 and Excise Act 1848, Service Tax Act, Foreign Trade (Development & Regulation) Act 1992;(list out below along with latest copies of relevant documents):-



- (i)
- (ii)
- (b) For export of goods:
 - (i) Export Order/Contract,
 - (ii) Shipping Bills,
 - (iii) Bill of Lading (and/or Airways Bills/PP Receipts),
 - (iv) Customs/Bank attested Invoices,
 - (v) Bank Certificates of exports and realization,
 - (vi) GR declaration etc and
 - (vii) connected books of accounts;
- (c) For export of services:
 - (i) Bank Certificate of direct foreign exchange earning,
 - (ii) GR declaration,
 - (iii) Forward Inward Remittance Certificates (FIRCs)
 - (iv) Certificate from international credit card companies,
 - (v) C.A /COST ACCOUNTANT certificate for the indirect sources, (In respect of indirect forex earnings duly certified by Chartered Accountant /Cost Accountant such as amount received from Travel agents/Tour Operators, Foreign Airlines for stay of Crew and Catering, UN organizations and Diplomatic Missions and Encashment Certificate from authorized dealers and others in terms of DGFT Policy circular no.60/97-2002 dated 24.12.1998)
 - (vi) Certified statements from the Banker/ Chartered Accountant/ Cost Accountant of Foreign Exchange Earnings and connected books of accounts.
- II. The relevant accounting and financial register(s) as prescribed under different Acts and Rules made there under have been maintained and authenticated under my/our seal and signature.
- III. The information given by the applicant firm/company in the 'Aayaat Niryaat Form' including details on

	(i) Direct Exports
	(ii) Third Party Exports
	(iii) Deemed Exports
	(iv) Services Rendered
	(v) Foreign exchange earnings/realization (both from direct and indirect sources),

is in agreement with the Foreign Trade Policy 2004-09 and the rules and procedures made there under, the relevant register and records and the books of accounts maintained by M/s and their subsidiaries and is also true and correct.

- IV. It has been ensured that the information furnished is true and correct in all respects; no part of it is false or misleading and no relevant information has been concealed or withheld;
- V. I/We hereby certify that the Shipping Bills contain the relevant EPCG Authorization Number and Date have been verified, in respect of specific export obligation. If the Shipping Bill does not contain EPCG Authorization Number and Date, the documents as per Policy Circular No. 7/2002 are to be submitted.
- VI. Neither I, nor any of my/our partners is a partner, director, or an employee of the above-named entity, its Group companies or its associated concerns;
- VII. I/We fully understand that any statement made in this certificate, if proved incorrect or false, will render me/us liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.



(Signature and Stamp/ Seal of the Signatory)

(Chartered Accountant/Cost Accountant)

Name of the Signatory:

Address:

Membership No:

Place:

Date:

If any of the documents of the record mentioned in serial number (I) have not been maintained/furnished, examined or verified, they may be please be specified below:-

- 1.
- 2.

Note: Each page of this Annexure is to be signed by the Chartered Accountant/ Cost Accountant with his registration number.

APPENDIX 34

INFORMATION TO BE SUBMITTED IN CASES WHERE STANDARD INPUT OUTPUT NORMS ARE NOT FIXED AND APPLICATIONS IS PREFERRED UNDER PARAGRAPH 4.4.2 OR 4.7 OF HBP (v 1).

1. Details of Items required for manufacture of one Unit of Export Product:

(a) Imported inputs:

S. No.	Required import item			Quantity required per unit of resultant product	Purpose of requirement *	Wastage claimed (%age) on net content basis.	Recoverable wastage/by product		
	Description	Technical Characteristics	ITC(HS) Code				Name	Quantity	value

* Purpose of requirement should be indicated against each item whether the same is required as raw material, components, consumables solvents, catalysts, packing material etc.

(b) Indigenous inputs

S. No.	Required import item			Quantity required per unit of resultant product	Purpose of requirement *	Wastage claimed (%age) on net content basis.	Recoverable wastage/by product		
	Description	Technical Characteristics	ITC(HS) Code				Name	Quantity	value

2. Production and consumption data of the manufacturer/supporting manufacturer (of preceding three licensing years duly certified by the Chartered Accountant/Cost Accountant/Jurisdictional Central Excise Authority+):



+In case there is no past production, the Jurisdictional Central Excise Authority shall certify the production and consumption data on the basis of production batch sheets and for this purpose the firm shall maintain separate record of batch data for inputs consumed in the manufacture of the export product.

Year	Total production of the resultant product	Quantity of different Items consumed	Quantity consumed/unit production
(1)	(2)	(3)	(4)

3. Particulars of the authorisations (erstwhile licences) obtained in the past and ratified by Norms Committee (NC) (with or without modification) for the same export product covered under this application.

S.No.	Authorisation No & Date	Description of export product	Description of import items	Import item qty per unit of export product (as applied for)	Import item qty per unit of export product (as approved by NC while ratifying licence)	NC meeting No & Date when approved
(1)	(2)	(3)	(4)	(5)	(6)	(7)

4. Please furnish technical details as per Annexure-I of Appendix-33 depending upon the resultant product. Please confirm.
5. a) FOB value of exports in the preceding licensing years :
 b) CIF value of Authorisations already obtained under paragraph 4.7
 c) Balance entitlement as per paragraph 4.7.1

CHARTERED ENGINEER CERTIFICATE

I have examined the applicant company's import requirements of raw materials, components etc with regard to their technical description/ specification and the quantity against each item of import and having regard to proper technical norms of consumption and after technical scrutiny of relevant designs and drawings, I hereby certify that they are correct in all respects and are actually required for the execution of the export/supply contracts for

The list of Items covers _____ pages and contains _____ items for a total value of Rs. _____ (in free foreign exchange _____)

Signature & Seal of Chartered Engineer

Place
Date



Registration Number
Official Address
Official Telephone
Residential Address

Name & Address of the Institution with which registered

APPENDIX 35

FORMATS FOR CLAIMING DUTY DRAWBACK ON ALL INDUSTRY RATES/FIXATION OF DUTY DRAWBACK RATES/REFUND OF TERMINAL EXCISE DUTY

DBK I STATEMENT

S.No.	Name of the Material/Component	Quality	Technical Characteristics	whether imported or indigenous	Unit	Gross Quantity required	Wastage quantity	
							Irrecoverable	Recoverable
1	2	3	4	5	6	7	8	9

Sale price of waste per unit of Qty	By-product/ Co-product		Net Weight of Material	Remarks
	Qty	Sale Value Per unit		
10	11	12	13	14

Give convenient units by which goods are invoiced for export (e.g. per ton, per dozen/pcs, per sq.meter, etc.)

Notes:-

- The Units of quantity to be furnished in Col.6 should be given in such a manner that it could be related to Statements II and III respectively.
- Maintenance stores/materials such as lubricating oil, greases, fuel etc. which are employed to run the machinery and plant should be excluded.
- The data for packing materials should be for the same unit quantity for which data for export product for
- Only those raw materials/components etc. to be indicated for which proof of payment of Customs/Central Excise duties is shown in DBK-II/III. Details of such inputs need not be given where no benefit of duty paid is claimed because of MODVAT or absence of proof of duty. Only a brief mention of such inputs being used would be sufficient.

CERTIFICATE REQUIRED FOR DBK I STATEMENT

- On behalf of the applicant, I hereby certify that the materials as mentioned above are actually required and being used for production of export product.

Station _____ Signature

(Name & Designation of the Chief

Dated _____ Executive/Production-in-charge (with seal.)

II. It is certified that (To be given by an independent:

- The consumption of various materials shown in DBK-I has been examined by us and these are actually required and being consumed in the factory of production for manufacture of export product supplied as checked by us on verification of the production process and relevant technical and related



documents.

b) The imported materials above shown in DBK-I are being actually used in the manufacture of the export product supplied and are not being substituted by indigenous materials;

c) The wastage /co-product/by-product claimed are as per production process in the factory. There is no suppression of co-product/by-products. The wastages claimed in our views are reasonable and are comparable to the general norms for the industry. Where wastages are considered high, an indication of the normal wastage in the industry has been indicated by us, under 'Remarks' column.

Signature _____
 Name _____
 Designation _____
 Address _____
 Branch of Engg. in which qualified:

Place _____
 Date _____

Name & Address of the institution
 under which Chartered Ref.No. and
 date of membership

DBK I STATEMENT

Direct import of materials/components made by the manufacturer and foreign materials obtained locally by the manufacturer during the period commencing three months prior to the date of supply /first supply upto the date of application, for manufacture of (Name of export product supplied).

S.No.	Description	Technical Characteristics	S.No.in DBK I Statement	B/E No. and date covering the imported stock	Name of the Customs House	Unit	Qty. imported originally	Assessable Value
1	2	3	4	5	6	7	8	9

Heading No. in Customs Tariff Act, 1975	Rate of duty	Country from which imported and name of supplier	Is assessment final	Basic duty + Additional Customs Duty	Name and full address of the supplier in case the foreign material/Components obtained locally	Remarks
10	11	12	13	14	15	16

Notes:

1. If any of the materials mentioned above have also been procured from indigenous origin, this must be specifically stated in remarks column and full details of the procurement along with proof of payment of duty should be furnished in DBK-III statement, even if it is claimed that they are not used in the products exported.



2. Minor items which do not contribute to any significant proportion to the expected drawback rates may be ignored, at the discretion of the applicant.
3. If the assessment against any B/E is not final the nature of dispute may be clearly indicated supported by appropriate letter from concerned customs authorities. Normally no DBK is admitted for provisionally assessed B/Es.
4. Refund application made against any B/E, with details must be indicated.
5. Stock position of the above materials/Components also to be given separately (in linked statement II-A).

CERTIFICATE REQUIRED FOR DBK II STATEMENT

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned bills of entries (other than whose details are furnished) has been or will be lodged with the Customs Authorities.

Signature and Stamp of independent
Chartered Accountant/Cost Accountant

Signature
(Name & Designation of the Chief Executive/
Production incharge (with seal)

Place:

Date:

DBK II A STATEMENT

Details of procurements relating to stock of imported materials as on commencement * date (*the date three months prior to the date of supply/first supply required for the manufacture of (Name of export product supplied).

S.No.	Description	Technical Characteristics	S.No.in DBK I Statement	B/E No. and date covering the imported stock	Name of the Customs House	Unit	Qty. imported originally	Assessable Value
1	2	3	4	5	6	6	7	8

Heading no. in Customs Tariff Act, 1975	Rate of duty	Country from where imported & name of supplier	Is assessment final?	Basic duty + Addl. customs duty	Name and full address of the supplier in case the foreign materials/ Components obtained locally	Stock as On ____	Remarks
9	10	11	12	13 13A	14	15	16

Note:-

1. In this statement furnish details of stock of all the imported inputs mentioned in statements II which were in stock 3 months prior to the date of shipment/first shipment of the export product and how these were imported/ procured. (Actual stock to be given under Col. 15, with procurement details in other



Columns).

2. If the assessment for any of the inputs in stock as shown is not final, the nature and current status of dispute may be clearly indicated. (Normally no DBK for provisionally assessed B/E are admitted).
3. Refund applications made if any for procurement shown in stock with details to be indicated.
4. Photocopies of all Bills of Entries mentioned above must be enclosed.

CERTIFICATE REQUIRED FOR DBK II A STATEMENT

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned bills of entries has been or will be lodged with the Customs Authorities.

Signature and Stamp of independent
Chartered Accountant/Cost Accountant

Place:

Date:

Signature _____
(Name & Designation of the Chief
Executive/ Production In-charge (with
seal)

DBK III STATEMENT

Materials/Components of Indian Origin obtained by the manufacturer during the period commencing three months prior to the date of supply /first supply upto the date of application for the manufacture of (Name of export product supplied).

Sl. No.	Description	Technical Characteristics	S. No. in DBK-I statement	Unit	Qty purchased	Assessable value	Central excise Tariff
1	2	3	4	5	6	7	8

Effective rate of duty paid	Amount of duty paid	Name and address of supplier	Invoice No. and date	Is assessment on duty final	Remarks
9	1	11	12	13	14

Notes :-

1. In this statement details of only those items which are chargeable to the excise duty to be given for which proof of Central Excise duty can be established by Invoices.
2. Materials/Components specified in Drawback II Statement if these are also of indigenous origin and procured locally should be included in this statement, whether dutiable or not. This is irrespective of the fact whether the said materials/components are used for export production or not. Where the said materials/components are claimed to be only for manufacture of goods for local sales and not for exports, this should be specifically indicated in the 'Remarks' column, against the respective serial number of the said material/component.
3. The particulars of Invoice numbers and date where the applicant is the consignee should be furnished under col. 11. Photocopies of all Invoices for inputs which are subject to Central Excise Duties of 20% or higher and some representative copies for other Invoices must be enclosed.
4. If the assessment which is not final or duty is paid under protest the extent of dispute may please be clearly indicated (copy of S V B Order to be attached).
5. Refund applications made if any against any Invoice with Details, to be indicated.



CERTIFICATE REQUIRED FOR DBK III STATEMENT

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned materials/components procured against Invoices/subsidiary Invoices has been or will be lodged with the Central Excise Authorities.

Signature and Stamp of Independent
Chartered Accountant/Cost Accountant

Signature:.....
(Name & Designation of the Chief Executive/
Production In-charge) with seal

STATEMENT DBK III A

Details of procurements relating to stocks of indigenous materials as on commencement to (the date three months prior to the date of supply/first supply)

S. No.	Description	Technical Characteristics	S.No. in DBK-I statement	Unit	Qty purchased originally	Assessable value	Central Excise Tariff heading no.
1	2	3	4	4A	5	6	7
	Effective rate of interest	Amount of duty paid	Name and address of supplier	Invoice No. and date	Is assessment of duty final	Stocks as on	Remarks
	8	9	10	11	12	13	14

Notes :-

1. In this statement furnish details of stock of all the indigenous materials mentioned in statements I & III which were in stock three months prior to date of shipment/first shipment of the export product and how these were procured (including Invoices Nos.etc.).
- 1A. In this statement details of only those items which are chargeable to the Excise Duty may be given for which proof of payment of Central Excise duty can be established.
2. The particular of Invoice number, date etc. should be furnished in Column 11.
3. If the assessment which is not final or duty is paid under protest the extent of dispute may please be clearly indicated.
4. Refund applications made, if any with details to be indicated.

CERTIFICATE REQUIRED FOR DBK III A STATEMENT

Certified that the particulars mentioned in this statement are correct to the best of my knowledge and belief and no claims for refund of duty in respect of any of the above mentioned materials/components has been or will be lodged with the Central Excise Authorities.

Signature and stamp of Independent
Chartered Accountant/Cost Accountant

Signature
(Name & Designation of the Chief Executive/
Production incharge) (with seal)

Place:



Date:

**DGFT Public Notice 54/2009-14- Amendment in Hand Book of Procedure Vol. I –
Addition of Para 3.10.2, 3.10.3, 3.10.4, 3.10.5, 3.10.6 and Para 3.10.7 after Para 3.10.1 in the
Handbook of Procedure Vol. I**

PUBLIC NOTICE No.54/ 2009-14

NEW DELHI: the 08 April, 2010

In exercise of the powers conferred under Paragraph 2.4 of the Foreign Trade Policy, 2009-14, the Director General of Foreign Trade hereby makes the following amendments in HBPV1:

1. After Para 3.10.1, the following paragraphs are added:

3.10.2	Application for grant of Duty Credit Scrip under SHIS (Para 3.16 of FTP) for exports made during 2009-10 or for exports made during 2010-11, as the case may be, shall be made to jurisdictional RA concerned in ANF3E along with documents prescribed therein.
3.10.3	The last date of filing the application shall be 31 st March 2011 for SHIS Application on exports made during 2009-10 (and 31 st March 2012 for SHIS Application on exports made during 2010-11).
3.10.4	As Para 3.17.8 of FTP does not apply to SHIS, shipments where VKGUY, FMS, FPS (including MLFPS) benefits have been claimed/will be claimed by applicant or by the supporting manufacturer (based on disclaimer by the exporter) shall be entitled for SHIS benefits to the exporter Status Holder. SHIS is entitled for shipments where foreign exchange realisation is in the name of applicant Status Holder.
3.10.5	Merchant Status Holders shall have the facility to list the supporting manufacturer till the date of filing of the Application for claiming the SHIS benefits. To list the supporting manufacturer, proof of supporting manufacturer may be given to RA concerned by giving any of the export documents (Shipping Bill/Bill of Export/ARE forms/Customs/Bank attested Invoices) evidencing the same. Listed Supporting Manufacturers shall be co- licensee of the SHIS Scrip.
3.10.6	SHIS scrip can be used for payment of applicable duties on import of Capital Goods (as defined in FTP) relating to the sectors specified in Para 3.16.4 of FTP. The Scrip / the goods so imported shall be with Actual User Condition. Imports of Capital Goods shall be related to any of the sectors listed in Para 3.16.4 of FTP, without any sector wise value limitation; even by the listed supporting manufacturers.
3.10.7	Para 3.11.8 of this HBP shall not apply to this Scheme. Further, Monitoring the realization of export proceeds shall be in terms of 3.11.12 & 3.11.13 of this HBP.

6. ANF3E for claiming benefits under Status Holders Incentive Scrip (Para 3.16 of FTP) is annexed as Annexure A to this Public Notice.

This issues in public interest.

Sd/-

(R.S. Gujral)

Director General of Foreign Trade and

Ex-Officio Special Secretary to the Government of India

(F. No. 01/91/180/1846/AM10/PC3)

Annexure A**ANF 3E**



For Status Holders Incentive Scrip
(Kindly see Para 3.16 of FTP and Para 3.10 of HBPv1, as amended)
April – March period
(2009-10/2010-11)

1. IEC Number			
2. Applicant Details			
i. Name			
ii. Address			
3. RCMC Details			
i. RCMC Number		ii. Date of Issue	
iii. Issuing Authority		iv. Valid upto	
v. Products for which registered			
4. Status Details			
i. Status Number		ii. Effective Date of Status Certificate and Validity:	
iii. Issuing Authority		iv. Date of issue:	
Note: Applicant shall have a Status Certificate valid for the relevant year 2009-10 / 2010-11 of export, as the case may be.			
5 (i) Licensing Year (AM10/AM1 1/):			
(ii) Period of Application: Apr-Mar		Period (i.e. Apr–Mar2010 / Apr-Mar 2011)	
(iii) Date of Filing this Application:			
6. Details of exports:			
Sr. No	Particulars	FOB value per	# (as
i.	FOB Value of Exports of Leather Sector (excluding finished leather)		
ii.	FOB Value of Exports of Textiles and Jute Sector		
iii.	FOB Value of Exports of Handicrafts Sector		
iv.	FOB Value of Exports of Engineering Sector (excluding Iron & Steel, Nonferrous Metals in primary or intermediate forms, Automobiles & two wheelers, nuclear reactors & parts and Ships, Boats and Floating Structures)		
v.	FOB Value of Exports of Plastics Sector		
vi.	FOB Value of Exports Basic Chemicals (excluding Pharma Products) Sector.		
vii.	Total FOB Value of Exports (Sum of Sr. No. 1 to Sr. No. 6)		
viii.	Entitlement (1% of FOB value as in Sr. No 7 above)		
ix.	Late Cut (if any)		



x. Duty Credit Scrip granted under Para 3.16 to be filled in by RA Concerned	
#Note: FOB Value includes upto 12.5% Foreign Agency Commission	

7. Number of Split Certificates required (in multiples of Rs 5 lakhs each):

8. Port of Registration (for the purpose of imports)**:

(* All shipment included in a particular year shall be determined from the Date of exports as defined in Para 9.12 of HBPv1.)

(**The port of registration shall be one of the ports from which the exports have been made.)

8. Application Submission Details (in case of electronically submitted applications)	
i. ECOM Reference Number	iv. File Number
ii. Date of Submission on Server	v. Date of Issue
iii. Submitted to which Regional Authority, New Delhi	
Note: Till EDI Software for the Scheme is made operational, RA will accept and process the claim manually.	

DECLARATION / UNDERTAKING

1. I hereby declare that particulars and statements made in this application are true and correct and nothing has been concealed or held therefrom. I fully understand that any information furnished in application if found incorrect or false will render my firm / company and me liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
2. I hereby certify that none of Proprietor/ Partner(s) / Director(s) / Karta / Trustee of firm / company, as the case may be, is a Proprietor / Partner(s) / Director(s) / Karta / Trustee in any other firm / company which has come to adverse notice of DGFT. Consequentially, I further declare that under Foreign Trade (Development and Regulation) Act (FT (D&R) Act) 1992, my firm / company have not been debarred in person from undertaking any export import business or activity by way of suspension or cancellation of IEC number. [If so debarred under FT (D&R) Act, details of said order and period for which the same is operational may be provided].
3. I hereby certify that my firm / company has not defaulted from export obligation under any provisions of FTP and has not been placed under the Denied Entity List (DEL). [If under DEL List, kindly furnish details of order, current status etc.]
4. I hereby declare that details of exports of goods of my firm / company are true and correct and in accordance with accounts maintained in my firm / company.
5. I hereby declare that in terms of First Para 3.17.10 of FTP, this application does not contain any exports for which the realization of export proceeds not been received directly from overseas in my name.
6. I hereby declare that in terms of Para 3.16.2 of FTP, I have not availed the benefits under the Technology Upgradation Fund Scheme (TUFS) of Ministry of Textiles during this particular year, exports of which are being claimed for Status Holders Incentive Scrip Scheme of Para 3.16 of FTP.
7. I hereby declare that in terms of Para 5. 1A of HBPv1, I will abide by provision of fourth sub-para in this paragraph.
8. I hereby declare that export product for which the duty credit scrip benefit is being claimed does not contain any shipment (as per Para 3.17.2 of FTP) from the following ineligible export categories / sectors:



1. EOUs / EHTPs / BTPs who are availing direct tax benefits / exemption;
2. Export of imported goods covered under Para 2.35 of FTP;
3. Exports through transshipment, meaning thereby that exports originating in third country but transhipped through India;
4. Deemed Exports
5. Exports made by SEZ units or SEZ products exported through DTA units; and
6. Items, which are restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS).

3. I hereby certify that I am authorized to verify and sign this declaration as per Paragraph 9.9 of FTP.

Place:	Signature:
Date:	Name:
Documents to be submitted	Designation:
1. CA/COST ACCOUNTANT certificate as per Annexure 2. Copy of Updated Profile in ANF 1 only if any changes have taken place and updated	Official Address:
3. Copy of Status Certificate valid for the relevant export year for which this application pertains to. 4. Copy of Valid RCMC.	Residential Address:
Note: Each individual page of application has to be signed.	Telephone:
	Email Address:

CA /COST ACCOUNTANT Certificate – Annexure to ANF3E
For Status Holders Incentive Scrip(SHIS)
(Kindly see Para 3.16 of FTP and Para 3.10 of HBPv1)
CERTIFICATE OF CHARTERED ACCOUNTANT (CA)/
COST ACCOUNTANT / COMPANY SECRETARY (CS)

I / We hereby confirm that I / We have examined prescribed registers and also relevant records of M/s
having IEC Number for exports during April – March 2009-10 / 2010-11 period(s) **(Tick the relevant period)** and hereby certify that:

1. Following documents / records have been furnished by applicant firm / company and have been examined and verified by me / us namely: -
 - a. Statutory documentations under Customs Act 1962, Foreign Trade (Development & Regulation) Act 1992;
 - b. Shipping Bills, Customs Attested Invoices and connected books of accounts;
2. Information given by applicant firm / company in ANF3E for claiming Status Holders Incentive Scrip (Para 3.16 of FTP) is in agreement with FTP 2009-14, as amended, and rules and procedures made thereunder, relevant register and records and books of accounts maintained by M/s and is also true and correct.



3. It has been ensured that
 - a. Information furnished is true and correct in all respects; no part of it is false or misleading and no relevant information has been concealed or withheld;
 - b. In respect of export of goods, a shipment can counted in applicants export turnover only if the realization of export proceeds from overseas is in the applicant's bank account. Thus, exporter cannot disclaim the shipment to his supporting manufacture, for the purpose of SHIS scheme.
4. Neither I, nor any of my / our partners is a partner, director, or an employee of above-named entity, its Group companies or its associated concerns.
5. I / We further certify that export proceeds for shipments during last year plus current are not outstanding beyond prescribed period as permitted by RBI.
6. I / We further certify that Statement of Exports as given in **Annexure 1 to this certificate** is correct
7. I / We fully understand that any statement made in this certificate, if proved incorrect or false, will render me / us liable to face any penal action or other consequences as may be prescribed in law or otherwise warranted.

Place:	Signature of CA/ COST ACCOUNTANT / CS:
Date:	Name of the Signatory:
	Address:
	Membership No:
	Email Address:

If any of documents of record mentioned in serial number (i) have not been maintained / furnished, examined or verified, they may please be specified below:-

CA/COST ACCOUNTANT Certificate (contd/-) ANF3E
Annexure 1 to CA/COST ACCOUNTANT certificate (ANF3E)

Statement of Exports		
Sr. No	Particulars	FOB value (as per Shipping Bill) Rs
1	FOB Value of Exports of Leather Sector (excluding finished leather) Details as per Statement 1 – Shipping Bill Wise Statement	
2	FOB Value of Exports of Textiles and Jute Sector Details as per Statement 2 – Shipping Bill Wise Statement	
3	FOB Value of Exports of Handicrafts Details as per Statement 3 – Shipping Bill Wise Statement	
4	FOB Value of Exports of Engineering Sector (excluding Iron & Steel, Nonferrous Metals in primary or intermediate forms, Automobiles & two wheelers, nuclear reactors & parts and Ships, Boats and Floating Structures) Details as per Statement 4 – Shipping Bill Wise Statement	



5	FOB Value of Exports of Plastics Details as per Statement 5 – Shipping Bill Wise Statement	
6	FOB Value of Exports Basic Chemicals (excluding Pharma Products). Details as per Statement 6 – Shipping Bill Wise Statement	
7	Total FOB Value of Exports (Sum of Sr. No. 1 to Sr. No. 6)	

Note: This statement of exports should also be countersigned by the applicant. FOB value includes upto 12.5% Foreign Agency Commission

Place:	Signature of the Applicant:
Date:	Name of the Signatory:
	Address:
	e-mail address:

Place:	Signature of CA/COST ACCOUNTANT/CS
Date:	Name of the Signatory:
	Address:
	Membership No:
	e-mail address:

**CA /COST ACCOUNTANT
Certificate (contd/-) ANF3E**

Shipping Bill Wise Statement(s)				
Statement No				
Sector Name:				
Statement of Exports of products covered under each of the 6 sectors in Para 3.16.4 of FTP				
(Total 6 such statement if the Status Holder exporter has exports in all the 6 sectors)				
Sr. No.	Shipping Bill No and Date	Description and ITC HS Code	Date of Export (Para 9.12 of HBPv1)	FOB Value (as per Shipping Bill) Rs.
1				
2				
..				
..				
Total				



(Rs)				
Note: This statement of exports should also be countersigned by the applicant. FOB Value includes upto 12.5% Foreign Agency Commission.				
Place:		Signature of Applicant:		
Date:		Name of the Signatory:		
		Address:		
		Email Address:		
Place:		Signature of CA/ COST ACCOUNTANT/ CS:		
Date:		Name of the Signatory:		
		Address:		
		Membership No:		
		Email Address:		

15.2 Software Technology Park of India

Ministry of Communication & Information Technology [MCIT], Govt. of India has recognized the potential for software exports and created the Software Technology Park Scheme [STP]. As a part of this scheme, MIT has established the Software Technology Parks of India [STPI]. Software Technology Park [STP] Scheme is a 100% export oriented scheme for undertaking software development for export using data communication links or in the form of physical media including export of professional services. The capital goods purchased from the Domestic Tariff Area [DTA] are entitled for the benefits like levy of Excise Duty & Reimbursement of Central Sales Tax [CST]. Software Technology Park of India, Bangalore have prescribed the following Annexure where Cost Accountants in practice may give the Certificate:

**Software Technology Parks Of India-Bangalore
ANNEXURE – XIII**

To,

The Director,
Software Technology Parks of
India BANGALORE.

Dear Sir

Sub: Request for Bonding

Name of the Company	:
---------------------	---

Address where the Bonding to be carried out	:
Import Approval No. & Date	:
CIF Value	:
Bill of Entry No. & Date	:

Thanking You,



Yours faithfully,

Authorized Signatory

FOR OFFICE USE ONLY	
1. Bonding Done on	:
2. Any variation in the above Import	:
3. Bonding Done by	:
4. Database update	: Signature of Member EXIM Group

ANNEXURE-XXXI

APPLICATION FOR GRANT / RENEWAL OF LICENCE FOR PRIVATE BONDED WAREHOUSE

(U/S 58 AND 65 OF THE Customs Act, 1962)

1. Particulars of License

(i) For an individual or incorporated company

- a) Name :
- b) Address :
- c) Nature of Business :

(ii) For a Firm

- a) Name :
- b) Business Address :
- c) Nature of business and following particulars in respect of each person having any proprietary interest in the firm :
 - Name :
 - Address :
 - Description :

2. Description of goods to be warehoused

3. Whether any goods other than those belonging to the License or for which he is an agent are intended to be warehoused.

4. Particulars of minimum stock intended to be held in the warehouse at any one time

- (a) Name of packages
- (b) Value



(c) Duty (at rate in force at the time of application)

Note: In case of spirit intended for denaturation, this should be separately specified

5. Particulars of maximum stock actually held at any one time under the expiring license (for use in case of renewals only).

- | | |
|---------------------|---|
| (a) Date | : |
| (b) No. of packages | : |
| (c) Value | : |
| (d) Duty | : |

6. Particulars of any change in proprietorship of the firm since date of last renewal. (to be filled by firms applying for renewal)

7. Particulars of premises to be licensed.

- | |
|-----------------------------------|
| (a) Name and address of the owner |
| (b) Place at which situated |
| (c) Dimensions (in feet) |
| (i) Length |
| (ii) Breadth |
| (iii) Height |
| (d) Distance from Custom House. |

Note: If more than one godown is to be licensed, separate particulars should be given for each, if necessary on a separate sheet.

8. Name and address of bankers or other persons to whom reference may be made regarding the financial status of the LICENSEE.

We hereby declare the above particulars to be true and apply for grant of a license under Section 58 of the Customs Act, 1962 in accordance therewith.

Place:

Authorised Signatory

Date:

ANNEXURE-XXIII

Application for Enhancement of CG limit

1. Name of Company
2. a) STP permission Letter No. & Date
b) Any Subsequent amendment, if any
3. Customs Bonding No. & Date
4. Customs Bonding valid upto
5. Value of capital goods approved so far
6. Value of exports to be achieved as per the permission letter
7. Details as per enclosure-1 enclosed



ANNEXURE-XXII

APPLICATION FORM FOR CLAIMING SPECIAL IMPORT LICENSE

FOR OFFICIAL USE

File No. :

Date:

1. Name and Address of the applicant :
2. IEC Number :
3. Application Fee : Rs. :

Bank/Receipt/ DD :

No. & Date

Issued by :

4. Details of exports

Sl. No.	Shipping Bill & No. Date	GR Form No & Date	Description of Exports	FOB Value in freely convertible	Equivalent Value in Rupees	Date of Realization	CIF Value of advance Lic. + 25 times of DEPB	NFE	SIL Rate	Entitlement
1	2	3	4	5	6	7	8	9	10	11

5. Value of License claimed : Rs. (in words and figures)

DECLARATION/UNDERTAKING

- I/We hereby declare that the particulars and the statements made in this application are true and correct to the best of my/our knowledge and belief and nothing has been concealed or held there form.
- I/We fully understand that any information furnished in the application if proved incorrect or false will render me/us liable for any penal action or other consequences as may be prescribed in law or otherwise warranted.
- I/We undertake to abide by the provisions of the Foreign Trade (Development and Regulation) Act, 1992, the rules and other framed there under, the Export and Import Policy and the Handbook of Procedures.



4. I hereby certify that I am authorized to verify and sign this declaration as per Paragraph 3.8 of the Policy.

Place:

.....
Signature of the Applicant
Name:

Date:

Designation :
Official Address:
Tel No.:

Residential Address:

Certified of chartered accountant/ Cost Accountant for issue of special import license for specified category of exporters

I/We hereby confirm that I/We have examined the prescribed registers and also the relevant records of M/s..... for the period..... and hereby certify that:

- (i) M/s.....(full name and address of the applicant) have made the exports during April-September.....October-March.....(whichever is applicable)
- (ii) The following document/records have been furnished by the applicant and have been examined and verified by me/us namely
- (iii) Export Order/Contract, Shipping Bills, Bill of lading (and/or Airways Bills/Receipts), Customs Bank attested Invoices, Bank Certificates of exports showing exports made in freely convertible currency in their own name and connected books of accounts.
- (iv) The relevant registers have been authenticated under my/our seal/signature
- (v) The financial information given in the above statement is in agreement with the relevant register and records: the same has been incorporated in the books of accounts maintained by the exporter: and is also true and correct.
- (vi) It has been ensured that the information furnished is true and correct in all respect; no part of it is false or misleading and no relevant information has been concealed or withheld.
- (vii) Neither I, nor any person of my partners is partners, director or an employee of the above named entity or its associated concerns.
- (viii) I/We fully understand that any statement made in this certificate, if proved incorrect or false, will render me/us liable for any penal or other consequences as may be prescribed in law or otherwise warranted.

(Signature and Stamp/Seal of the signatory)

(Chartered Accountant /Cost Accountant)

Name of the signatory:

Full Address :

Place:

Membership No. :

Date:

If any documents or records mentioned in item (ii) of the certificate have not been maintained/ furnished, examined or verified, they may please be specified below:

1.



- 2.
3. Documents to be enclosed with the application form
 1. Bank Receipt (in duplicate)/Demand Draft evidencing payment of application fee in terms of Appendix
 2. Self certified copy of valid RCMC.
 3. E.P copy of shipping bills (in original)
 4. Bank certificate of exports as given in Appendix- (in original)

15.3 Anti-Dumping

The General Agreement on Tariffs and Trade lays down the principles to be followed by the member countries for imposition of anti-dumping duties, countervailing duties and safeguard measures. Pursuant to the GATT, 1994, detailed guidelines have been prescribed under the specific agreements which have also been incorporated in the national legislation of the member countries of the WTO. Indian laws were amended with effect from 1.1.95 to bring them in line with the provisions of the respective GATT agreements.

Dumping is said to have taken place when an exporter sells a product to India at a price less than the price prevailing in its domestic market. However, the phenomenon of dumping is per se not condemnable as it is recognized that producers sell their goods at different prices to different market. It is also not unusual for prices to vary from time to time in the light of supply and demand conditions.

It is also recognized that price discrimination in the form of dumping is a common international commercial practice. It is also not uncommon that the export prices are lower than the domestic prices. Therefore, from the point of view of antidumping practices, there is nothing inherently illegal or immoral about the practice of dumping. However, where dumping causes or threatens to cause material injury to the domestic industry of India, the Designated Authority initiates necessary action for investigations and subsequent imposition of anti-dumping duties.

Sections 9A, 9B and 9C of the Customs Tariff Act, 1975 as amended in 1995 and the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995 framed thereunder form the legal basis for anti-dumping investigations and for the levy of anti-dumping duties. These laws are based on the Agreement on Anti-Dumping which is in pursuance of Article VI of GATT 1994.

Therefore, Dumping occurs when the export price of goods imported into India is less than the Normal Value of 'like articles' sold in the domestic market of the exporter. Imports at cheap or low prices do not per se indicate dumping. The price at which like articles are sold in the domestic market of the exporter is referred to as the "Normal Value" of those articles.

15.3.1 Area for certification under Anti Dumping

The information in the following proforma is to be certified by practising Cost Accountant only:

Format "CI"

STATEMENT OF COST OF PRODUCTION

Name of the Company		
Installed capacity		
Production in Installed		
Capacity Utilisation (%)		
Production in Investigation Period		



Capacity Utilisation in Investigation Period		
Sales (quantity)		
Particulars	Previous Accounting Year	Investigation Period
	Qty. Rate Value Cost per unit	Qty. Rate Value Cost per
Manufacturing expenses Raw materials (specify the major raw materials) Utilities Depreciation Others (please specify the Nature of expenditure)		
Administrative Expenses - Variable - Fixed		
Selling & Distribution Expenses - Variable		

- Fixed		
Financial Expenses - Variable - Fixed		
Less: Misc. Income (from Product concerned)		
Total Cost to make and Sell		
Selling price		
Profit / Loss		

Note: Please specify the unit, wherever applicable.

The information in this proforma is to be certified by practising Cost Accountant.

Format "CII"

ALLOCATION AND APPORTIONMENT OF EXPENDITURE

Please provide the basis along with the amount allocated to the subject product and to other products out of the total expenses of the company, as per following format

Sl.	Particulars Expenses	Total applicable to product under investigation	Share Applicable to product under investigation	Share not allocation / Apportionment	Basis of
1	2	3	4	5	6
	Raw Material (item-wise)				
	Consumable stores and spares/other inputs				
	Utilities (power, fuel, steam, etc.)				



Direct labour				
Manufacturing Overheads (Specify under major heads)				
Research & Development				
Administrative Overheads				
Selling & Distribution cost				
Depreciation				
Financial expenses				
Other misc. expenses				
Total expenditure				
Sales				
Other income				
Total income				
Profits / Loss				

Note :

1. The information in this proforma is **to be certified by practising Cost Accountant**
2. All items of income and expenditure shall be reconciled with Annual Accounts.

15.4 Special Economic Zone (SEZ)

A Special Economic Zone (SEZ) is an ecological district that follows noninterventionist monetary guidelines which are different from the conventional economic norms of a country. SEZ envelops a wide array of zones incorporating Free Zones (FZ), Free Trade Zones (FTZ), Industrial Estates (IE), Export Processing Zones (EPZ), Free Ports, etc. Generally the objective of SEZ formation is to attract more foreign investment typically through an overseas business or a conglomerate.

Generally, SEZs are constructed by utilizing an array of institutional compositions varying from complete government owned organizations to privately owned firms. In some cases, the government owned organizations perform as quasi-government groups in which they follow a pseudo-corporate organization composition and have total control over their budget construction.

SEZs are also constructed under the tie-up of private and government organizations where the government sector offer assistance by introducing provisions on infrastructure, investment, issue of bonds & debentures, etc. This enables the private industry to attain a considerable rate of return on the venture.

The Ministry of Commerce and Industry lays down the regulations that govern the setting up and administering of the SEZs. The Central Government is functioning, while the State Governments play a significant lead role in the development of SEZs in their respective States by stipulating the conditions to be adhered to by an SEZ and granting the necessary approvals. The policy framework for SEZs has been enacted in the SEZ Act and the supporting procedures are laid down in SEZ Rules.

Need and Importance of SEZ in Indian Economy

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in



promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.

India has over 1022 SEZ units currently under the structural formatting. It has more than 9 fully functional SEZs and over 7 Export Processing Zones (EPZs) which have been transformed into SEZs

Important SEZs in India

- Belgaum Aerospace SEZ Operational SEZ in Karnataka
- Chennai One in Thoraipakkam, Chennai
- ETA Technopark in Navalur, Chennai
- Falta in West Bengal
- Kensington in Powai, Mumbai
- Mahindra World City in Chennai and Jaipur
- MARG Swarnabhoomi in Tamil Nadu
- MIHAN in Pune
- SEEPZ in Mumbai
- Greater NOIDA in Uttar Pradesh
- Pharma and Biotech SEZ in Aurangabad, Maharashtra

Incentives and facilities offered to the SEZs

The incentives and facilities offered to the units in SEZs for attracting investments into the SEZs, including foreign investment include:-

1. Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
2. 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
3. Exemption from minimum alternate tax under section 1 15JB of the Income Tax Act.
4. External commercial borrowing by SEZ units upto US \$ 500 million in a year without any maturity restriction through recognized banking channels.
5. Exemption from Central Sales Tax.
6. Exemption from Service Tax.
7. Single window clearance for Central and State level approvals.
8. Exemption from State sales tax and other levies as extended by the respective State Governments.

The major incentives and facilities available to SEZ developers include:-

1. Exemption from customs/excise duties for development of SEZs for authorized operations approved by the BOA.
2. Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
3. Exemption from minimum alternate tax under Section 115 JB of the Income Tax Act.
4. Exemption from dividend distribution tax under Section 115(O) of the Income Tax Act.



5. Exemption from Central Sales Tax (CST).
6. Exemption from Service Tax (Section 7, 26 and Second Schedule of the SEZ Act).

15.4.1 Services that can be provided by Cost Accountants in Practice

A Cost Accountant in Practice can provide the following services under SEZ:

1. Assist Client in preparation of Project Report
2. Consultancy services for setting up the Special Economic Zone
3. Appear before the Board as authorised representative of Applicant

15.4.2 The relevant Appendix is given below for information of members:

Guidelines for duty free import/procurement of materials for development, operation and maintenance of Special Economic Zones issued by Ministry of Finance are given below:

Circular No. 52/2002-Customs F.NO.314/24 /2001-FTT Date : 14/08/2002

**Government of India
Ministry of Finance
Department of Revenue
(Central Board of Excise & Customs)**

F.NO.314/24 /2001-FTT (Pt.)

New Delhi, dated 14th August, 2002

To,

All Chief Commissioners of Customs,
All Chief Commissioners of Customs & Central Excise, All
Commissioners of Customs,
All Commissioners of Customs & Central Excise.

Sub: Guidelines for duty free import/procurement of materials for development, operation and maintenance of Special Economic Zones.

Sir,

I am directed to invite your attention to notification Nos. 39/2002-Central Excise and 82/2002-Customs, both dated 13th August, 2002 granting exemption to goods which are required for development, operation and maintenance of SEZs. Under these notifications goods may be imported/procured from DTA or the Public Warehouse or Private Warehouse duty free. However, import/procurement of such goods are subject to approval by the Committee headed by the jurisdictional Chief Commissioner of Customs/Excise. It has been decided that the Committee for approval of importation/procurement of goods will consist of the following:-

Jurisdictional Chief Commissioner of Customs/Central Excise
Jurisdictional Commissioner of Customs/Central Excise
Development Commissioner of the Zone
Joint Director General of Foreign Trade
The Chief Engineer, CPWD
Jurisdictional Deputy/Assistant Commissioner of Customs

2. For the purpose of availing of the benefit of above notifications, the developers of the SEZ will make an application to the concerned Development Commissioner for approval of the list of goods proposed to be imported/ procured duty free. The Development Commissioner, in turn, would process the same and



place the list before the aforesaid Committee for consideration. While granting the approval, the Committee shall consider, inter alia, the following:-

- (i) The approved construction plan and drawing: The developer of the SEZ should produce proof of ownership of the land free from all encumbrances or he should hold lease in his favour for a period of not less than 20 years;
 - (ii) Financial solvency of the developer from a leading bank; and
 - (iii) Estimated requirement of goods: The developer shall submit a list of machinery equipment, apparatus and other construction materials required for development, operation and maintenance of SEZ duly certified by an approved Chartered Engineer. The list should indicate the type and nature of construction and activity. Separate lists may be submitted for import and indigenous procurement.
3. The approval will be given only in respect of such goods which are required for construction, development and maintenance of the Zone. The goods meant for personal consumption or for consumption by the workers and employees of the developers should not be allowed to be imported/procured duty free. Care should be taken by the Committee to ensure that duty free import/procurement is not allowed in respect of those goods which are not connected with the development, operation and maintenance of the Zone. In case of doubt, reference may be made to the Board for the issue of suitable clarification.
 4. As stipulated in the above said notifications, the developer shall submit a quarterly statement to the jurisdictional Commissioner of Customs/Central Excise in the form prescribed for the purpose. Whenever an application is made for additional imports/procurement of material, the Committee will take the said quarterly statements into account for determining such additional requirements.
 5. The Committee will also meet at quarterly intervals to monitor the use of goods imported/procured by the developer through quarterly statement. The Committee in particular will ensure that the duty free goods are actually utilized in the development, operation and maintenance of the Zone.
 6. The Committee shall fix up a time schedule for commencement and completion of construction of the SEZ. In case of any delay in completion of the project, the developer would explain the cause of such delay to the Committee, which may condone the delay on merits.
 7. The jurisdictional Commissioner of Customs/Central Excise will ensure that there is no diversion of goods imported/procured duty free from the bonded premises. He may visit the project site and inspect or call for the accounts and connected records for scrutiny and undertake physical verification of consumption and utilization of duty free goods imported or procured from DTA.
 8. The Commissioner of Customs/Central Excise may direct the concerned developer to get his accounts audited by a Cost Accountant nominated by him in this behalf. The expenses of and incidental to such audit shall be borne by the concerned developer.
 9. Difficulties faced, if any, in the implementation of above instructions may be brought to the notice of the Board. Kindly acknowledge the receipt of this Circular.

Yours faithfully,

(C.P. GOYAL)
Senior Technical Officer

Copy to:

PS to Chairman and Members of the CBEC
All Sections of the Board Office
All Directorates under CBEC



Joint Secretary (EP), Ministry of Commerce, New Delhi Director General of Foreign Trade, New Delhi.

(C.P. GOYAL)

Senior Technical Officer Related Website:

1. Ministry of Commerce and Industry website: <http://commerce.nic.in/>
2. SEZ website: <http://sezindia.nic.in/>
3. Export and Import Data Bank: <http://commerce.nic.in/eidb/default.asp>
4. Foreign Trade and Policy Procedure: http://commerce.nic.in/trade/national_ftpp.asp?id=3&trade=n
5. Directorate General of Foreign Trade: <http://dgft.delhi.nic.in/>
6. Reserve Bank of India: <http://www.rbi.org/>
7. Software Technology Park of India/Electronic Hardware Technology Park : <http://www.stpi.in/>



Chapter 16

Ministry of Corporate Affairs

16.1 Certified Filing Centres (CFCs)

Cost Accountants in practice are authorised by Ministry of Corporate Affairs to certify and file various e - forms on behalf of their clients/customers under its Scheme- MCA-21 relating to Certified Filing Centre (CFC). The gist of the Scheme under MCA21 e-Governance Programme of the Ministry of Corporate Affairs is as follows:

The Ministry of Corporate Affairs (MCA) have set up Facilitation Centres/ Physical Front Offices at 53 locations throughout the country to facilitate e-filing by professionals/ company representatives. The e - filing services in these Facilitation Centres are made available without any charge.

Under the Scheme, an opportunity is given to the members of Professional Institutes (ICSI, ICAI, ICAI-CMA), their Regional Councils/ Local chapters, individual practising members and firms of professionals to create and set-up the required facilities for this purpose over and above the 53 Facilitation Centres set-up by the Ministry under the programme. While the services available from the Facilitation Centres set-up by the Ministry would be without any charge, the services provided by these Certified Filing Centres will be as per prescribed rates of service charges mentioned hereinafter. This arrangement was formalised by the Institute with MCA to operate this "**Scheme for Certified Filing Centres (CFCs)**".

The Scheme was open on 4th August 2006. Many Cost Accountants applied and certificate to act as 'Certified Filing Centres' were awarded. The Scheme provided for continuation of this support for a period of three years till 17th January 2010. Since CFCs' outreach is greater and extended to the length and breadth of the country, the Ministry of Corporate Affairs considered necessary to further period extend the CFC Scheme for a period of three years from 01.07.2010. The Scheme was made effected from July 01, 2010 and would remain valid for a period of three years unless renewed/ revised further. The Cost Accountants in practice who met the eligibility criteria prescribed under Certified Filing Centre (CFC)-MCA -21 Scheme could apply within a period of 2 months w.e.f 01.07.2010, last date was 31.08.2010. It was extended for a period of 3 months w.e.f. 01.09.2010 till 30.11.2010. Now applications are not being accepted by the Ministry of Corporate Affairs. The Scheme may be open again at any time.

The Cost Accountant with minimum 2 years whole time practice experience was eligible to apply to act as Certified Filing Centre.

16.1.1 Schedule and scope of Services and Maximum charges for various Services

Presently, the CFC are providing the following technical and non-technical services with maximum permissible revised rates mentioned against each one of these services. It may be clarified that the rates for services indicated herein are the maximum and these rates are exclusive of the statutory fees payable to the Government in respect of all services.

S.No	Service Charge	Rates/Charges
1	Data Entry (Filling-up of e-Forms)	Rs. 150/- per Form
2	Scanning of Documents and conversion to PDF format	Rs. 7.50/- per page
3	Laser Printing (B&W)	Rs. 7.50/- per page
4	Filing e-Form with MCA21 portal	Rs. 150/- per Form
5	Filing attachments with e-Form	Re. 1.50/- per page



6	View Public Documents	Rs. 75/- per 30 minutes
7	Apply for Certified Copy of Documents	Rs. 75/- per application
8	Apply for DIN	Rs. 75/- per application
9	Apply for and procurement of DSC for users	Rs. 150/- per DSC
10	Services other than those listed above may also be offered by	At market-driven rates the CFC

Note: For services such as data entry, scanning, e-Form uploading etc. the CFC would not be responsible for accuracy of data though it would be responsible for correct entry of the data made available to him. The responsibility for accuracy of the data content would always rest with the person signing the Form/ Document using her/ his DSC.

Service Tax, if any, payable to the Government shall be chargeable extra on the basis of actuals.

16.1.2 Obligations of the CFC

1. The CFC shall display a Sign-board of being a CFC outside the premises as per the design approved by the Ministry of Corporate Affairs;
2. CFCs shall provide services on payment basis and the service charges shall not exceed the amount indicated in the schedule of charges indicated in the scheme and it must prominently display the details of service charges chargeable by the CFC in respect of various services as approved by the Ministry.
3. The CFC service provider has to ensure that the facilities are in good working condition at all times and reliable connectivity is maintained.
4. The Service provider shall be responsible for successful operation of the DSC during the validity period issued by a Certification Agency if such service has been facilitated by the CFC to end-user. The CFC shall keep accounts of all statutory fee payments in respect of the services provided by him and shall be responsible for reconciliation of accounts in case of any missing credits in a manner as may be prescribed.
5. The CFCs shall be subject to inspection by persons authorized by MCA or the Council of the concerned professional institute.
6. In case the Service Provider chooses to close down the CFC, for whatsoever reasons, he would do so with one month's notice to the MCA and shall surrender the Registration Certificate to the MCA immediately upon closure of service.

16.2 Relevant e-forms and e-filing with Registrar of Companies, Ministry of Corporate Affairs

A Cost Accountant is authorised to certify the following e-forms, as Practising Cost Accountant under Companies Act, 1956 with Registrar of Companies:

LIST OF FORMS FOR WHICH CERTIFICATION FROM COST ACCOUNTANTS IS REQUIRED

Sl. No.	Form No.	Pursuant to various sections of companies Act, 1956 and rules framed thereunder	Subject
---------	----------	---	---------



1.	Form	Pursuant to section 205A(3) of the Companies Act, 1956 and the Companies (Declaration of Dividend out of Reserves) Rules, 1975	Application for approval for declaration of dividend out of reserves
2.	Form 1	Pursuant to Rule 3 of the investor Education and protection fund (awareness and protection of Investors) rules, 2001	Statement of amounts credited to investor education and protection fund
3.	Form 2	Pursuant to Section 75(1) of the Companies Act, 1956	Return of allotment
4.	Form 3	Pursuant to Section 75(2) of the Companies Act, 1956	Particulars of contract relating to shares allotted as fully or partly paid-up otherwise than in cash
5.	Form 5	Pursuant to Sections 95, 97, 94a(2), 81(4) of the Companies Act, 1956	Notice of consolidation, division etc. or increase in share capital or increase in number of members
6.	Form 10	Pursuant to Sections 125, 127, 128, 129, 130, 132, 134 and 135 and section 600 read with 125, 127, 128, 129, 130, 132, 134 and 135 of the Companies Act, 1956	Particulars for registration of charges for debentures
7.	Form 17	Pursuant to Section 138, Section 600 of the Companies Act, 1956	Particulars for satisfaction of charges
8.	Form 18	Pursuant to Section 146 of the Companies Act, 1956	Notice of situation or change of situation of registered office
9.	Form 20B	Pursuant to Section 159 of the Companies Act, 1956	Form for filing annual return by a company having a share capital with the registrar
10.	Form 21A	Pursuant to Section 160 of the Companies Act, 1956	Particulars of annual return for the company not having share capital
11.	Form 21	Pursuant to Sections 17(1), 17a, 79, 81(2), 81(4), 94a(2), 102(1), 107(3), 111(5), 141, 155, 167, 186, 391(2), 394(1), 396, 397, 398, 445, 466, 481, 559 And 621 of the Companies Act, 1956	Notice of the court or Company Law Board Order or any other competent authority
12.	Form 23C	Pursuant to Section 223 B (2) the Companies Act, 1956	Form of application to the Central Government for appointment of cost auditor
13.	Form 23AC	Pursuant to Section 220 of the Companies Act, 1956	Form for filing balance sheet and other documents with the registrar
14.	Form 23	Pursuant to Section 192 of the Companies Act, 1956	Registration of resolution(s) and agreement(s)
15.	Form 23ACA	Pursuant to Section 220 of the Companies Act, 1956	Form for filing profit & loss account and other documents with the registrar
16.	Form 23D	Pursuant to Section 223 B (2) the Companies Act, 1956	Form of Information by Cost Auditor to Central Govt.



17.	Form 24AB	Pursuant to Section 295 of the Companies Act, 1956	Form for filing of application for giving loan, providing security or guarantee in connection with a loan
18.	Form 25(C)	Pursuant to Section 269(2) and schedule xiii of the Companies Act, 1956	Return of appointment of managing director or whole time director or manager
19.	Form 32	Pursuant to Sections 303(2), 264(2), 266(1)(a), 266(1)(iii) of the Companies Act, 1956	Particulars of appointment of managing director, Directors, manager and secretary and the changes among them or consent of candidate to act as a Managing director or director or manager or Secretary of a company and/ or undertaking to take and pay for qualification shares
20.	Form 61	Pursuant to Sections 166, 210, 394, 560, 62 1(a) of the Companies Act, 1956	Form for filing an application with registrar of companies
21.	Form 67	Pursuant to Rule 20A (3) of the companies (Central Government's) General Rules and Forms, 1956	Form for filing addendum for rectification of defects or incompleteness
22.	Form 68	Pursuant to Rule 20G of the companies (Central Government's) General Rules and Forms (Second Amendment),2010	Application for rectification of mistakes apparent on record

Note: The Forms and details thereof could be viewed and downloaded from Ministry of Corporate Affairs website: www.mca.gov.in

16.3 COMPANIES ACT, 1956

Section 205A. (6) The company shall, when making any transfer under sub-section (5) to the Fund established under section 205C any unpaid or unclaimed dividend, furnish to such authority or committee as the Central Government may appoint in this behalf a statement in the prescribed form setting forth in respect of all sums included in such transfer, the nature of sums, the names and last known addresses of the persons entitled to receive the sum, the amount to which each person is entitled and the nature of his claim thereto and such other particulars as may be prescribed.

16.3.1 Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 [As amended up-to-date]

In exercise of the powers conferred by sub-section (1) of section 642 read with sub-section (6) of section 205A 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 Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. **Definitions.**- In these rules, unless the context otherwise requires :-

(a) "Act" means the Companies Act, 1956 (1 of 1956) ;

(b) "Central Government" means the department of Company Affairs of the Central Government for the time being in charge of the administration of the Act ;



(c) "Form" means a form annexed to these rules ;

(d) "Punjab National Bank" includes its branches.

3. Transfer of moneys to the General Revenue Account of the Central Government.- Any money required to be transferred to the general revenue account of the Central Government under sub-section (5) of section 205A of the Act shall be transferred to any of the branches of the Punjab National Bank specified below, within a period of fourteen days from the date on which such money is required to be so transferred under the sub-section which shall be accounted under the Major/Minor Head of Account " 068-Miscellaneous General Services-Unpaid Dividends of Companies " :-

S. No.	City	Name of the Branches of the Punjab National
1.	Ahmedabad	Ashram Road.
2.	Allahabad	Civil Lines.
3.	Bangalore	City Branch
4.	Bombay	Phiroz Shah Mehta Road.
5.	Calcutta	Brabourne Road.
6.	Chandigarh	Sector 17
6A.	Coimbatore*	Oppanakara Street
7.	Cuttack	Cuttack
8.	Delhi	Barakhamba Road, New Delhi.
9.	Ernakulam.	Ernakulam.
10.	Gwalior	Naya Bazar.
11.	Hyderabad	Bank Street.
12.	Jaipur	M. I. Road.
13.	Jodhpur	Ratnada Colony.
14.	Jullundur	Civil Lines.
15.	Kanpur	Swaroop Nagar.
16.	Madras	Mount Road.
17.	Nagpur	Kingsway
18.	Panaji	Piffurlekar Road.
19.	Patna	Boring Road.
20.	Shillong	Shillong
21.	Srinagar	Amirkadil

* Inserted by Notification GSR 348(E), dated 3 1.3.1993

4. **Statement to Registrar :-** (1) A company shall, when making a transfer under rule 3, furnish to the Registrar of Companies concerned a statement in Form I in duly certified by a chartered accountant or a company secretary or a cost accountant practising in India or by the auditors of the company.

(2) Every company shall furnish a certificate along with the annual return to be filed immediately thereafter under section 156 to the Registrar concerned to the effect that the whole of the amount of dividend remaining unpaid or unclaimed for a period of three years from the date of transfer to the special account has been transferred to the General Revenue Account of the Central Government as required under sub-section (5) of section 205A.

4A. Every company shall inform the shareholders concerned about the particulars of the dividend transferred to the General Revenue Account of the Central Government, along with the Notice of the next Annual General Meeting.



5. **Maintenance of Account by the Registrar.**- The Registrar of Companies shall cause to be maintained in his office separate accounts in respect of each company whose unpaid dividend and interest thereon, if any, are transferred to the General Revenue Account of the Central Government.

6. **Claim for payment.**- (1) Any person applying to the Central Government under section 205B of the Act shall make such application in Form II, to the Registrar of Companies concerned under his own signature or through a person holding a power of attorney.

(2) On receipt of the application referred to in sub-rule (1), the Registrar of Companies concerned shall verify from his records and certify whether the claimant is entitled to the money claimed by him.

(3) Where the claimant's title to the aforesaid money has been established to the satisfaction of the Registrar of Companies, the Registrar of Companies may direct the claimant (not being the Central Government, a State Government, a Government company within the meaning of section 617 of the Act or public financial institution within the meaning of section 4A of the Act or a local authority) to execute an indemnity bond with or without surety in Form III, or as near thereto as may be, on a non-judicial stamp paper of the value payable in the State of execution.

(4) On receipt of the indemnity bond, if any, duly executed by the claimant, the Registrar of Companies shall issue a payment order in Part B of Form II sanctioning the payment of the amount due to the claimant giving directions to the Pay and Accounts Officer of the Department of Company Affairs to issue a cheque in favour of the claimant and the Pay and Accounts Officer shall draw the cheque accordingly and send it to the Registrar of Companies.

(5) Notwithstanding anything contained in sub-rules (3) and (4), the Registrar of Companies may where the amount claimed is not more than Two thousand five hundred rupees and the claimant establishes his title to the money claimed to his satisfaction, issue an order sanctioning the payment of the amount due to the claimant without production of the indemnity bond referred to in sub-rule (4).

(6) The claimant shall deliver to the Registrar of Companies a stamped pre-receipt bearing his signature and the signatures of two witnesses along with his application in Form III.

(7) The Registrar of Companies shall in the accounts maintained by him, cause a note to be made of all payments made under sub-rule (6).

(8) The amounts paid to the claimants under this rule shall be classified in the accounts as "Deduct Refunds" under "068-Miscellaneous General Services-Unpaid Dividends of Companies".

For the above purpose e-form no. Form-1 Pursuant to Rule 3 of the investor Education and protection fund (awareness and protection of Investors) rules, 2001 has been prescribed, which is to be certified by cost accountant in practice.

16.3.2 Note: The Form and detail thereof could be viewed and downloaded from Ministry of Corporate Affairs website: www.mca.gov.in

16.4 Section 205A(3) Where, owing to inadequacy or absence of profits in any year, any company proposes to declare dividend out of the accumulated profits earned by the company in previous years and transferred by it to the reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made by the Central Government in this behalf, and, where any such declaration is not in accordance with such rules, such declaration shall not be made except with the previous approval of the Central Government.

16.4.1 The Companies (Declaration of Dividend Out of Reserves) Amendment Rules, 2006 Dated: 03-03-06

G.S.R.134(E).--In exercise of the powers conferred by sub-section (3) of section 205A read with clause (a) of sub-section (1) of section 642 and 6 10A of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules further to amend the Companies (Declaration of Dividend Out of Reserves) Rules, 1975, namely:-



1. (1) These rules may be called the Companies (Declaration of Dividend Out of Reserves) Amendment Rules, 2006.
(2) They shall come into force on the date of their publication, in the Official Gazette.
2. In the Companies (Declaration of Dividend Out of Reserves) Rules, 1975-
 - (i) after clause (iii) of rule, 2, the following clauses shall be inserted, namely:-
 - "(iv) - The Forms prescribed in these rules may be filed through electronic media or through any other computer readable media as referred under section 610A of the Companies Act, 1956 (1 of 1956).
 - (v) The electronic-form shall be authenticated by the authorized signatories using digital signatures, as defined under the Information Technology Act, 2000 (21 of 2000).
 - (vi) The Forms prescribed in these rules, when filed in physical form, may be authenticated by authorized signatory by affixing his signature manually."
 - (ii) after the rules, the following Form shall be inserted, namely:-

16.4.2 Form No. 1 (Pursuant to section 205A(3) of the Companies Act, 1956 and the Companies (Declaration of Dividend out of Reserves) Rules, 1975). **The Form and detail thereof could be viewed and downloaded from Ministry of Corporate Affairs website: www.mca.gov.in**

16.5 Section 205C: ESTABLISHMENT OF INVESTOR EDUCATION AND PROTECTION FUND. (1) The Central Government shall establish a fund to be called the Investor Education and Protection Fund (hereafter in this section referred to as the "Fund").

- 2) There shall be credited to the Fund the following amounts, namely :-
 - (a) amounts in the unpaid dividend accounts of companies
 - (b) the application moneys received by companies for allotment of any securities and due for refund
 - (c) matured deposits with companies
 - (d) matured debentures with companies
 - (e) the interest accrued on the amounts referred to in clauses (a) to (d);
 - (f) grants and donations given to the Fund by the Central Government, State Governments, companies or any other institutions for the purposes of the Fund; and (g) the interest or other income received out of the investments made from the Fund :

PROVIDED that no such amounts referred to in clauses (a) to (d) shall form part of the Fund unless such amounts have remained unclaimed and unpaid for a period of seven years from the date they became due for payment.

Explanation: For the removal of doubts, it is hereby declared that no claims shall lie against the Fund or the company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

- (3) The Fund shall be utilised for promotion of investor awareness and protection of the interests of investors in accordance with such rules as may be prescribed.
- (4) The Central Government shall, by notification in the Official Gazette, specify an authority or committee, with such members as the Central Government may appoint, to administer the Fund, and maintain separate accounts and other relevant records in relation to the Fund in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.
- (5) It shall be competent for the authority or committee appointed under sub-section (4) to spend moneys out of the Fund for carrying out the objects for which the Fund has been established.

6. Credits to the Fund:

- (i) Any amount required to be credited by the companies to the Fund, as provided in the Act shall be remitted into



the concerned specified branches of Punjab National Bank, within a period of thirty days of such amounts becoming due to be credited to the Fund and the amount so credited shall be accounted for as provided in Rule 4 below.

(ii) (a) The amount shall be tendered by the companies on behalf of the Central Government in such branches of Punjab National Bank along with Challan (in triplicate) and the Bank will return two copies duly stamped to the Company as token of having received the amount.

(b) Every Company shall file with the concerned Registrar of Companies one copy of the Challan referred to in (a) evidencing deposit of the amount to the Fund. The Company shall fill in the full description and the nature of the amount tendered and its Head of Account

(c) (i) Every Company shall, when effecting a credit to the account of the Fund, will separately furnish to the concerned Registrar of Companies a statement in Form 1 duly certified by a chartered accountant or a company secretary or a cost accountant practicing in India or by the statutory auditors of the company. Provided that each Company shall keep a record relating to folio number, Certificate Number etc in respect of persons to whom the amount of unpaid or unclaimed dividend, application money, matured deposit or debentures, interest accrued or payable, for a period of three years and the Committee or Sub-Committee shall have powers to inspect such records of that period.

(ii) On receipt of this statement, the concerned Registrar of Companies shall enter the details of such receipt in a register and reconcile the amount so remitted and collected, with the concerned Pay and Accounts Officer, on monthly basis.

(iii) Each Registrar of Companies shall furnish an abstract of such receipt received during the month to Department of Company Affairs within seven days after the close of the month.

(iv) Department of Company Affairs shall maintain a consolidated abstract of receipts and shall reconcile them on a quarterly basis with Principal Pay and Accounts Office of the Department of Company Affairs.

16.6 Limited Liability Partnership (LLP)

A law to allow "Limited Liability Partnership" (LLP) in India has been enacted by the Parliament of India recently. (Limited Liability Partnership (LLP) Act of 2008).

LLP is an alternative corporate business entity that provides the benefits of limited liability of a company but allows its members the flexibility of organizing their internal management on the basis of a mutually-arrived agreement, as is the case in a partnership firm.

This format would be quite useful for small and medium enterprises in general and for the enterprises in services sector in particular, including professionals and knowledge based enterprises.

As proposed in the Bill, LLP shall be a body corporate and a legal entity separate from its partners. It will have perpetual succession. While the LLP will be a separate legal entity, liable to the full extent of its assets, the liability of the partners would be limited to their agreed contribution in the LLP.

Further, no partner would be liable on account of the independent or unauthorized actions of other partners, thus allowing individual partners to be shielded from joint liability created by another partner's wrongful business decisions or misconduct.

The Indian Partnership Act, 1932 shall not be applicable to LLPs.

LLP is a corporate business vehicle that enables professional expertise and entrepreneurial initiative to combine and operate in flexible, innovative and efficient manner, providing benefits of limited liability while allowing its members the flexibility for organizing their internal structure as a partnership.

The Ministry of Corporate Affairs has launched a dedicated LLP portal similar to MCA21 applicable to corporate entities.

**NEW LLP PORTAL – GUIDELINES FOR STAKE HOLDERS****NEW LLP PORTAL – USER REGISTRATION & LOGIN**

Any user willing to avail any LLP related service for which payment of fees is required need to register on MCA21 system. For registration, users have been categorised into following two categories:

- a) Registered User
- b) Business User – these are further categorized into following roles
 - Designated partner
 - Practicing Professional
 - Authorised representative of a Foreign LLP

Authentication will be password based for a registered user and in case of business user; it will be DSC based authentication.

Users who are already registered in the MCA21 system are not required to register again. Their existing login credentials shall be applicable for availing services for LLPs also.

Instructions for users already registered on earlier LLP system (i.e. prior to 11th June 2012):

The existing users can login to the MCA21 system based on the following rules/ guidelines:

The users will be required to login under the “Registered User” with their existing user ID. They would need to enter the password as a combination of the first four characters of their User ID in CAPS and their date of birth (USER@ddmmyy). For example – If the user ID is Rameshkum and Date of Birth of the user is 02nd Jun 1974; then the password to be provided shall be RAME@020674.

Further they would be required to change their password on the first time login.

Important Note :

1. The Users who have their User –id length greater than 11 characters would be required to enter only the first 11 characters in order to login
2. Users with same login credential (user-id) as similar to an existing user of MCA21 system will be able to login to the MCA system by pre-fixing ‘E’ before their user-id and the length of the user-id would be restricted to 11 characters. For example: A user with login-id “DEEPAKKUMAR” which is similar to an existing user in MCA system shall use “EDEEPAKKUMA”. The list of all users whose user-id has been changed in the above format will be published on the LLP portal.

In case same person has different user ids in LLP and MCA21 system, then they can continue to access the system with both the user-ids, however, transactions carried out in the earlier LLP system can be accessed through the earlier LLP system user-id. As a good practice, it is suggested to maintain a single user ID for future for ease of use.



NEW LLP PORTAL – VERIFICATION AND UPDATION OF DESIGNATED PARTNERS' / PARTNERS' DETAILS

LLPs incorporated under the earlier LLP system (i.e. prior to 11th June 2012) are mandatorily required to verify the details of their Designated Partners and Partners. This facility will only be available to the Designated partner of the LLP. The User would use the link 'Migrated LLP Partners details' available after logging in the LLP Portal. The information on this link would be required to be digitally signed by the Designated Partner.

Please note the following:

- No eForm filing will be allowed to the LLP without verifying and updating these details.
- In case while updating the partners' details using the above mentioned facility, no details are displayed, the DP will need to register separately as a Business user using his/ her DPIN and digital signatures. Thereafter, the details will be displayed based on the new business user ID.
- Atleast one (1) of the Designated Partners (DP) should be resident in India. Resident of India means a person who has stayed in India not less than 182 days during immediately preceding 1 year.
- In case the residential status of the designated partner needs to be updated, user can update the same by using the above mentioned facility or by filing Form DIN-4 on MCA21 portal.

NEW LLP PORTAL – CHANGE IN THE SERVICE REQUEST NUMBER (SRN)

The first two digits of SRN of the earlier LLP system (i.e. prior to 11th June 2012) are being replaced with "K". All users are requested to access their transactions henceforth by replacing the first two digits with "K".

NEW LLP PORTAL – CHANGE IN CHARGE IDS

The Charge ids issued to the users in the earlier LLP system (i.e. prior to 11th June 2012) are being regenerated. The Users are required to use the "View Index of Charges" link to get the new charge ids. The Users will be able to view their new charge id's using the link

4.6.1 Relevant e-form and e-filing with Registrar, Ministry of Corporate Affairs

A Cost Accountant is authorised to certify the following e-forms, as Practising Cost Accountant under Companies Act, 1956 with Registrar of Companies:

Form No.	Description	Relevant section of LLP Act	Relevant Rule of LLP Rules, 2009
2	Incorporation document and Statement	11(1) and 11(2)	11
3	Information with regard to LLP agreement and changes, if any in LLP agreement	23(2), 23(3)	21
4	Appointment of partners/designated partners and changes among them, intimation of DPIN by LLP to ROC and consent of partner to become partner/designated partner	25(2)(a), 25(2)(b), 25(3), 7(4)	8, 10(8), 22(2) and 22(3)
5	Notice of change of name of LLP	19	20(2)



7	Application for allotment of DPIN (Designated Partner Identification Number)	7(6)	10
10	Intimation of changes in particulars of Designated Partners	7(3)	10(9)
15	Change of place of registered office	13(3)	17
17	Application by firm for conversion into LLP	55, 58(1) and second schedule	38(1)
18	Application by private company/unlisted company for conversion into LLP	55, 58(1) and third and fourth schedule	39(1) and 40(1)

4.6.2 Note: The Forms and details thereof could be viewed and downloaded from Limited Liability Partnership website: <http://www.mca.gov.in/LLP/>. However, the summary of e-Forms are given below:

<u>Form 1</u>	Application for reservation or change of name
<u>Form 2</u>	Incorporation document and subscriber's statement
<u>Form 2A</u>	Details in respect of designated partners and partners of Limited Liability Partnership
<u>Form 3</u>	Information with regard to limited liability partnership agreement and changes, if any, made therein
<u>Form 4</u>	Notice of appointment, cessation, change in name/ address/designation of a designated partner or partner. and consent to become a partner/designated partner
<u>Form 4A</u>	Notice of appointment, cessation, change in particulars of a partners
<u>Form 5</u>	Notice for change of name
<u>Form 8</u>	Statement of Account & Solvency
<u>Form 11</u>	Annual Return of Limited Liability Partnership (LLP)
<u>Form 12</u>	Form for intimating other address for service of documents
<u>Form 15</u>	Notice for change of place of registered office
<u>Form 17</u>	Application and statement for conversion of a firm into Limited Liability Partnership (LLP)
<u>Form 18</u>	Application and Statement for conversion of a private company/ unlisted public company into limited liability partnership (LLP)
<u>Form 22</u>	Notice of intimation of Order of Court/ Tribunal/CLB/ Central Government to the



	Registrar
<u>Form 23</u>	Application for direction to Limited Liability Partnership (LLP) to change its name to the Registrar
<u>Form 24</u>	Application to the Registrar for striking off name
<u>Form 25</u>	Application for reservation/ renewal of name by a Foreign Limited Liability Partnership (FLLP) or Foreign Company
<u>Form 27</u>	Form for registration of particulars by Foreign Limited Liability Partnership (FLLP)
<u>Form 28</u>	Return of ALTERATION in the incorporation document or other instrument constituting or defining the constitution; or the registered or principal office; or the partner or designated partner of limited liability partnership incorporated or registered outside India.
<u>Form 29</u>	Notice of (A) alteration in the certificate of incorporation or registration; (B) alteration in names and addresses of any of the persons authorised to accept service on behalf of a foreign limited liability partnership (FLLP) (C) alteration in the principal place of business in India of FLLP (D) cessation to have a place of business in India
<u>Form 31</u>	Application for compounding of an offence under the Act
<u>Form 32</u>	Form for filing addendum for rectification of defects or incompleteness
<u>Form DIN-1</u>	Application for allotment of Director Identification Number
<u>Form DIN-4</u>	Intimation of change in particulars of Director to be given to the Central Government



Chapter-17

Ministry of Consumers Affairs, Food and Public Distribution

17.1 Sugar Industry:

India has been known as the original home of sugar and sugarcane. Indian mythology supports the above fact as it contains legends showing the origin of sugarcane. India is the second largest producer of sugarcane next to Brazil. Presently, about 4 million hectares of land is under sugarcane with an average yield of 70 tonnes per hectare.

The advent of modern sugar processing industry in India happened in the year 1930 with grant of tariff protection to the Indian sugar industry.

Sugar production in India, the world's second-largest producer and the biggest consumer, is estimated at 24.5 million tonnes in the 2011-12 marketing year. However, the industry has pegged sugar output at 26 million tonne.

17.1.1 INCENTIVE SCHEME FOR NEW SUGAR FACTORIES AND EXPANSION PROJECTS

The Government offers the incentive for establishing the new sugar factories and expansion projects thereof. The sugar factories shall submit utilization certificate annually from a Chartered/Cost Accountant holding certificate of practice. Utilisation certificate in respect of each sugar season during the incentive period shall be furnished as per proforma prescribed on or before the 31st December of the succeeding year.

No. F.3(4)/89-PC/Vol.IV
Government of India
Ministry of Food
Directorate of Sugar
Krishi Bhawan
.....

New Delhi, dated, the 28th February, 1997

To
All Sugar Factories

Dear Sirs,

Subject: - Incentive Scheme for new sugar factories and expansion projects licensed/to be licensed after 31.03.94.

1. INTRODUCTION

The Government have formulated 'Sugar Incentive Scheme, 1997' to provide for incentive to help entrepreneurs in setting up expeditiously new and additional capacity for manufacture of sugar on the basis of letters of intent/licences issued after 31.03.1994. The salient features of the scheme are detailed below:-

2. CATEGORIES OF ELIGIBLE FACTORIES

For the purpose of this Incentive Scheme, eligible sugar factories shall be categorized here as under:-

(a) New Sugar Factory:

New factory shall mean a sugar factory established for the first time by erection of a new standard sugar plant in



accordance with a letter of Intent/Industrial Licence issued by the Government of India, Ministry of Industry, under Section 11(1) of the Industries (Development & Regulations) Act'1951.

(i) Having the Minimum Economic Capacity of 2500 TCD.

(ii) Having the Minimum Capacity of 1750 TCD established in an area declared as Industrially Backward by the Government of India, Ministry of Industry.

(b) Expansion Project:

(i) Expansion Project shall mean a project for expansion of an existing sugar factory having a capacity (1) below 2500 TCD for increasing its capacity to a minimum level of 2500 TCD and (2) below 5000 TCD but not less than 2500 TCD for increasing its capacity upto a level of 5000 TCD in accordance with a Letter of Intent/Industrial Licence issued by the Government of India, Ministry of Industry, under Section 13(1) of the Industries (Development & Regulation) Act'1951 and shall also include such expansions covered under Press Note No. 15 issued by the Ministry of Industry on 27.05.1986.

(ii) A project for expansion of an existing sugar factory having capacity of 1250 TCD and above for increasing its capacity to a level of not less than 1750 TCD but below 2500 TCD in accordance with a Letter of Intent/Industrial Licence issued by the Government of India, Ministry of Industry, under Section 13(1) (d) of the Industries (Development & Regulation) Act, 1951, provided such unit had not availed of any incentive in the past.

3. APPLICABILITY OF THE SCHEMES

(i) The Incentive Scheme shall be applicable to the sugar factories to whom letters of intent/Industrial licences have been issued to the new units and expansion units including those sanctioned after March'1994.

(ii) The sugar factories which have been issued letters of intent/industrial licences during the period 07.09.1990 to 31.03.1994 will have an option to avail of incentive under 1993. Incentive Scheme or the incentive now being proposed in this Scheme, subject to the condition that the same are implemented by 31.12.1999.

4. CLASSIFICATION OF RECOVERY AREA

For the purpose of incentive scheme, country has been classified into two recovery areas High Recovery areas and Other Recovery Area, based on the analysis of recovery of sugar for the five year period ending 1993-94. High Recovery Area shall mean sugar producing zones with an average recovery of 10% and above. Other Recovery Areas shall mean sugar producing zones with average recovery 10%. The zone falling under these two areas are as follows:-

(a) High Recovery Area : South Gujarat

Maharashtra and North West Karnataka.

Note : - South Gujarat comprise Districts of Surat, Valsad, Dangha and Broach in Gujarat State.

(b) Other Recovery Area: Area other than those mentioned at (a) above.

5. TIME LIMIT FOR COMMENCEMENT OF PRODUCTION

With a view to ensure that letters of Intent do not remain unimplemented over a long period of time, a time frame of 3 years for implementation of Letters of Intent has been stipulated.

Accordingly, in order to become eligible for Incentive under this scheme, the date of commencement of production for the first time in respect of new sugar factories and the date of commencement of production at the expanded capacity in respect of expansion projects shall be within a period of 3 years from the issue of Letter of Intent/Industrial Licence, whichever is earlier.

**6. EFFICIENCY NORMS TO BE ACHIEVED FOR ENTITLEMENT TO FULL INCENTIVES.**

All categories of sugar factories covered under this scheme and found eligible for incentives shall achieve technical norms of efficiency as given in Appendix –I by the end of second year of operation for being entitled to full incentive. Where a factory fails to achieve the norms as stipulated in Appendix-I its incentive entitlement for that year shall be reduced in a graded manner as per details in Appendix-II, subject to a ceiling of 5%.

7. NATURE OF INCENTIVES.

The incentives under the scheme shall be only in the shape of higher percentages of free sale quota including the normal free sale quota of sugar, in accordance with the scales indicated in paras 8.3 and 10 below in respect of different categories of sugar factories.

8. INCENTIVE IN RESPECT OF NEW SUGAR FACTORIES.

8.1 For eligibility to incentives under this scheme the basic cost of plant and machinery plus excise and custom duties shall not be below Rs. 1588 lakhs. In case of new sugar factories having minimum capacity of not less than 1750 TCD but below 2500 TCD established in areas declared as industrially backward by the Government of India, Ministry of Industry, for eligibility to incentive, the basic cost of plant and machinery plus excise and custom duties shall not be below Rs. 941 lakhs.

8.2 The basic cost of plant and machinery for the purpose of this scheme shall mean the actual cost on F.O.R. (Machinery manufactures works) basis.

SCALE OF FREESALE QUOTA INCLUDING INCENTIVES.

8.3 The free sale entitlement of sugar, including normal quota and incentives shall be at percentages as given below for High Recovery area and Other Recovery Area:-

Year	HRA	ORA
1 st	100	100
2 nd	100	100
3 rd	100	100
4 th	100	100
5 th	100	100
6 th	--	100
7 th	--	100
8 th	--	100

CEILING OF PRODUCTION FOR ENTITLEMENT TO INCENTIVES.

8.4 Incentive free sale quantum shall be applicable on the actual production of sugar in a sugar season subject to an annual ceiling of 50,000 tonnes in High Recovery Area and 44,000 tonnes in Other Recovery Area.

9. INCENTIVES IN RESPECT OF EXPANSION PROJECTS.

For eligibility of incentives for the projects defined under Clause 2(b) (i) & (ii) under this scheme, the basic cost of plant and machinery of the expansion project upto 2500 TCD shall not be below Rs. 595 lakhs on the F.O.R. basis and Rs. 1190 lakhs for expansion projects upto 5000 TCD. These costs will be excise and custom duties.

10. PERCENTAGE OF FREE SALE ENTITLEMENT FOR EXPANSION PROJECTS.

10.1 Free sale entitlement of sugar including normal quota and incentives shall be at percentages as given below for High and Other Recovery Areas:-

Year	Upto 2500 TCD	More than 2500 TCD upto 5000 TCD



	HRA	ORA	HRA	ORA
1st	85	100	80	90
2nd	85	100	80	90
3rd	85	100	80	90
4th	85	100	80	90
5th	85	100	80	90

- 10.2 The higher free sale quota of sugar at percentages as mentioned above, shall be reckoned on that much of production in a sugar season which is in excess of the average production during the three sugar seasons preceding the season in which production was first Commenced at the expanded capacity, where cane crushing period was less than three sugar seasons prior to completion of expansion, the average of the actual period of crushing would be reckoned as the base.
- 10.3 The ceilings for the purpose of incentives on expansion upto 2500 TCD would be 25000 tonnes for HRA and 22,000 tonnes for ORA respectively. For expansion more than 2500 TCD upto 5000 TCD, the ceiling would be 50,000 tonnes in case of HRA and 44,000 tonnes in case of ORA respectively. These ceilings for expansion projects should be with respect to excess production which qualifies for incentives.
- 10.4 All expansion projects that qualify for incentives as per the terms and conditions stipulated herein, shall be granted incentives irrespective of the fact that they had already availed of one incentive either as a new factory or expansion project under earlier incentive scheme.
- 10.5 Factories which are availing of incentives under earlier scheme and undertake further expansion and thereby become eligible for incentives under this scheme, shall also be eligible for incentives under this scheme for full term under para 10.1 from the year (Sugar season) in which they complete such further expansion. In respect of expansion projects undertaken by sugar factories which are already availing of incentives as a new unit under the 1987/1988/1993 schemes (s), the incentives under the said scheme (s) as a new unit shall run concurrently with the incentives derivable under this scheme for expansion during the over-lapping period. The percentages of free-sale sugar by way of incentives under the 1987/1988/1993 scheme (s) as a new unit would apply on the 'base production' which shall be the average production of three sugar seasons prior to the commencement of production at the expanded capacity.

11. OBLIGATION OF ENTREPRENEURS FOR SUBMISSION OF UTILISATION CERTIFICATE

The beneficiaries of the incentive scheme shall ensure that the surplus funds generated through sale of the incentive sugar are utilized for the repayment of term loans, if any, outstanding from the Central Financial Institutions/Sugar Development Fund. The sugar factories shall submit utilization certificate annually from a Chartered/Cost Accountant holding certificate of practice. Utilisation certificate in respect of each sugar season during the incentive period shall be furnished as per proforma prescribed on or before the 31st December of the succeeding year. Failure to submit utilization certificate within the stipulated time may result not only in the termination of release of incentive free sale quota but also in the recovery of the incentive free sale already made by resorting to adjustment from the free sale releases of future years.

12. EFFICIENCY NORMS DETAILS

Within 45 days of the close of crushing during the season, sugar factories shall submit details of actual efficiency achieved in such proforma as may be prescribed by the Directorate of sugar, Krishi Bhawan, New Delhi for adjustment/modification of the incentive quota, as may be required under para.

13. FURNISHING OF DATA FOR VERIFICATION

New sugar factories and expansion projects which are eligible for incentives under this scheme may, on completion of their projects, furnish to the Chief Directorate (Sugar), Krishi Bhawan, New Delhi, all the relevant information and documents in such forms/annexures as may be prescribed by the Government for Verification of their entitlement.



Yours faithfully,

Sd/-
Chief Director (Sugar)

No. F.3(4)/89-PC/Vol.IV
Ministry of Food

APPENDIX-I

EFFICIENCY LEVELS TO BE ACHIEVED FOR ENTITLEMENT TO FULL INCENTIVE.

Sl.No.	Items	Expansion including restructured projects	New factories
1.	Reduced Mill Extraction (RME) (Minimum)	94%	95%
2.	Reduced Boiling House Recovery (RBHR) (Minimum)	90%	90%
3.	Total Sugar loss percent cane (Maximum)	2.2%	2.0%
4.	Steam percent cane (Maximum)	55%	50%
5.	<u>Down Time</u> (a) Including general cleaning (Maximum) (b) Excluding general cleaning (Maximum)	10% 4.5%	10% 4.5%

No .F.3(4)/89-PC/Vol-IV
Ministry of Food

APPENDIX-II

Quantum of reduction in incentive for failure to achieve efficiency norms

Sl.No.	Items	Expansion including restructured projects		New Factory	
		Level of achievement (%)	Scale of reduction (%) in percentage of the free-sale quota	Level of achievement (%)	Scale of reduction (%) in percentage of the free-sale quota
1.	Reduced Mill	Below 92 92 &	1	Below 93	1



	Extraction	above but below 94	0.5	93 & above but below 95	0.5
2.	Reduced Boiling House Recovery	Below 89	1	Below 88	1
		88 & above	0.5	88 & above but below 90	0.5
3.	Total sugar Loss	2.5 & above	1	2.3 & above	1
		above 2.2 but below 2.5	0.5	above 2 but below 2.3	0.5
4.	Steam percent cane	Above 57	1	Above 53	1
		Above 55 but below 57	0.5	Above 50 but below 53	0.5
5.	Down time including general cleaning	More than 15	1	More than 15	1
		Above 10 but below 15	0.5	Above 10 but below 15	0.5

17.1.2 Sugar Incentive Scheme - 1997 Amendment

F.No. 3(4)/89-PC-Vol.IV
Ministry of Consumer Affairs & Public Distribution
Deptt of Sugar & Edible Oils
Directorate of Sugar Krishi Bhawan
New Delhi, dated 06.04.2000

To
All Sugar Factories

Subject:- Sugar Incentive Scheme 1997-Amendment thereof.

Dear Sir,

In Partial modification of the sugar incentive scheme 1997 announced through circular letter no. F-3(4)/89-PC-Vol.-IV dated 28.02.1997 the following amendments to the said circular are hereby made:-

(i) At the end of para 5, the following sub-paragraph shall be added.

'5.1 where the above mentioned period of 3 years expires on any date between the 1st day of May and 30th day of September in a year, which is generally the off season for the sugar industry, if the commencement of production is effected not later than 30 days from the appointed day notified as such by Central Government in that year, the factory will be deemed to have commenced production for the first time or at the expanded capacity as the case may be, within the above mentioned period of 3 years for the purpose of grant of incentives'.

(ii) The existing paragraph II shall be substituted by the following :-

'OBLIGATION OF ENTERPRENEURS FOR SUBMISSION OF UTILISATION CERTIFICATE.



II. The beneficiaries of the incentive scheme shall ensure that surplus funds generated through sale of the incentive sugar are utilized for the repayment of term loans, if any, from the Central Financial Institutions/ Sugar Development Funds/ Commercial Banks/ Cooperative Banks. The sugar factories shall submit utilization certificate annually from a Chartered/Cost Accountant holding certificate of practice. Utilisation certificate in respect of each sugar season during the incentive period shall be furnished as per proforma prescribed on or before the 31st December of the succeeding year.

Failure to submit utilization certificate within the stipulated time may result not only in the termination of release of incentive free sale quota but also in the recovery of the incentive free sale already made by resorting to adjustment from the free sale releases of future years.

2. All amendments contained herein above shall be applicable to all sugar factories covered/likely to be covered under 1997 sugar Incentive Scheme.

Yours faithfully,

(R.P.SINGHAL)
CHIEF DIRECTOR (SUGAR)

PROFORMA-II (WEEKLY RETURN)							
' Return of Cane crushed, Sugar produced, Releases & Despatches'							
Short Name with Code No. Week ending date	(Quantity in tonnes)						
During the Week To-date	To date						
1. Cane crushed 2. Sugar Produced (a) From Cane (b) By Reprocessing unmarketable old sugar 3. Recovery % of Sugar on Cane 4. Levy Sugar despatches:							
Release Order No.	Date	Released Quantity	In favour of FCI operated states (State Names)	Quantity	In favour of Direct Allottee states (State names)	Quantity	
A.							
B.							
5.Freesale despatches:							



Release Order No.	Date	Quantity Released	Quantity Despatched	Average realisation per Quintal excluding Excise and cess						
A.										
B.										
6.Export Despatches:										
Release Order No					Date	Quantity released	Quantity despatched			
Release Order No.					Date	Quantity released	Quantity despatched			
A. Gate Sale B. A.P.O.										
8. Total despatches Out of production					During the Week	To date				
Factory premises					Outside	Duty paid	Godowns	Total		

PROFORMA	
Name of Factory	Short Name
	Code No.
I. Sugar Balance Sheet For	Season's Production
a)	Total sugar bagged directly from cane during season
b)	Sugar left in process at the end of season sent for reprocessing in
c)	Sugar recovered from (b) above
d)	Biss/Rori/Raw/Yellow/Ungraded, etc., sugar of and earlier seasons sent for reprocessing in season.
e)	Sugar recovered from (d) above
f)	Marketable sugar of and earlier seasons which subsequently become damaged, sent for reprocessing during season.
g)	Sugar recovered from (f) above
h)	Total sugar produced fro season (A + c + e + g)
i)	Less Biss/ Rori/ Raw/ Yellow/ Un-graded etc. Sugar bagged during season including graded sugar which subsequently became damaged.
j)	Net marketable sugar of season (h-i).
Note:	
I.	If marketable sugar shown against item (f) above includes any released but undespached quantity, the particulars of levy/free sale orders against which the quantity has lapsed should be indicated.
II.	Releases made out of season's production for internal consumption upto date.
(a). Levy Sugar :	



(a)	No. and Date of Allotment Order/permission etc.	Qty. allotted			Qty. delivered			Balance to be Delivered		
		States	FCI	Total	States	FCI	Total	States	FCI	Total
		1		2						3
TOTAL										
(b) Gate Sale :										
No. and date of Gate sale Order		Qty. released		Qty. Delivered upto Date			Balance to be Delivered			
				States	FCI	Total	States	FCI	Total	
TOTAL										
(c) Other released for Defence Services/ produced for export promotion council										
No. and date of release order		Qty. released		Qty. delivered		Balance to be delivered				
	1		2		3			4		
TOTAL										
(d) For Export:										
No. and date of release order		Qty. released	Qty. delivered	Qty. pending delivery		Reason for Pending				
TOTAL										
(e) Total releases of white levy sugar made (a) + (b) + (2) + (c) (2) + (d) (2)										
(f) Quantity lapsed (b) (4)										
(g) Quantity undespached (A) 4 + (C) (4) + (d) (4)										
(B) FREE SALE SUGAR:										
No. and date of free sale order	Qty. released			Qty. Delivered			Qty. lapsed at the end of validity period			
	Free sale Normal	Addl. Free sale Incentive		Normal	Addl. Free Sale Incentive		Normal Free Sale	Addl. Free Sale Incentive		
	1		2			3			4	
TOTAL										
(b) Free sale release for export										



No. and date or order	Qty. released	Qty. Delivered	Lapsed Quantity
1	2	3	4
TOTAL			
(c) Total releases of sugar made (A) (2) + (B) (2)			
(d) Quantity despatched (a) (3) + (b) (3)			
(e) Quantity undespached (a) (4) + (b) (4)			
Certified that the above information in respect of quantity released/ allotted, despatches thereof, etc., out of season is correctly furnished as directed under the Government Order No. 7-1/94-SCR dated 20.11.1984.			
Signature of Authorised Officer			

17.2 Information for fixation of levy sugar prices for 2010-11 and 2011-12 sugar seasons

F. No. 4-1/2011-CC
Government of India
Ministry of Consumer Affairs, Food and Public Distribution
Department of Food and Public Distribution
Directorate of Sugar

Krishi Bhawan, New Delhi-110001,
Dated the September, 2012

To

All Sugar Factories

Subject: Information for fixation of levy sugar prices for 2010-11 and 2011-12 sugar seasons.

Sir,

I am directed to inform that the levy sugar price for the sugar seasons 2010-11 and 2011-12 has been notified vide notifications dated 18th January, 2011 and 7th March, 2012 respectively on the provisional basis. In this connection, the data regarding molasses and cane purchased during the sugar seasons 2010-11 and 2011-12 is required for calculating the levy sugar price for these sugar seasons. The requisite information is vital for fixation of levy sugar price and non-receipt of complete data will hinder the process of determining the levy sugar price.

2. In view of the above, you are request to furnish the above information in the prescribed proforma (copy enclosed) by 30.09.2012 in case of sugar season 2010-11 and by 31.10.2012 in case of sugar season 2011-12 positively. It may please be noted that the information regarding molasses is to be furnished in the prescribed proforma duly certified by a practicing Chartered Accountant or a Cost Accountant.

Yours faithfully,

Sd/-



(Sanjay Kumar)
Deputy Director (Cost)
Tele: 23070422

Encl: As above.

Copy to:

All Cane Commissioner/Commissioner (Sugar)/Director (Sugar) with the request to direct the concerned sugar factories to furnish the requisite data in the prescribed proforma (copy enclosed) by 30.09.2012 in case of sugar season 2010-11 and by 31.10.2012 in case of sugar season 2011-12 positively.

Sd/-
(Sanjay Kumar)
Deputy Director (Cost)

Copy also to:

1. Director General, Indian Sugar Mills Association, C-Block, 2nd Floor, Ansal Plaza, Andrewsganj, August Kranti Marg, New Delhi-110049.
2. Managing Director, National Federation of Cooperative of Sugar Factories Limited, C-Block, 2nd Floor, Ansal Plaza, Andrewsganj, August Kranti Marg, New Delhi-110049.

You are requested to advise your member sugar factories to furnish the requisite data in the prescribed proforma (copy enclosed), duly certified by the practicing Chartered Accountant / Cost Accountant, latest by 30.09.2012 in case of sugar season 2010-11 and by 31.10.2012 in case of sugar season 2011-12 positively.

Sd/-
(Sanjay Kumar)
Deputy Director (Cost)

INFORMATION FOR CALCULATION OF LEVY SUGAR PRICE FOR THE SUGAR SEASON 2010-11

Short Name:

Code Number:

Name & Address:

Zone:

A Information of Molasses for the Sugar Season 2010-11 (Actual)

1. **Total Quantity of Molasses produced (Quintal)** _____
2. **Quantity of Molasses:**
 - (a) Used for captive consumption (Qtl.) _____
 - (b) Used for inter-group transfer (Qtl.) _____
 - (c) Sold to outside parties (Qtl.) _____
 - (d) Total Quantity (a+b+c) (Qtl.) _____



3. Amount realized from above excluding excise duty:

- (a) Transfer value of captive consumption (Rs.) _____
- (b) Sales Realization from Inter group transfer (Rs.) _____
- (c) Sale of Molasses to outside parties (Rs.) _____
- (d) Total amount realized (a + b + c) _____

4. Average rate of realization per quintal

- (a) For captive consumption i.e. (3a / 2a = _____
- (b) For inter-group transfer i.e. (3b / 2b = _____
- (c) For sale to outside parties i.e. (3c / 2c _____

B. Information on purchase of sugarcane for the sugar season 2010-11

- | <u>Sugar Season</u> | <u>2010-11</u> |
|---|----------------|
| 1. Cane purchased from Cooperative Societies (Qtl.) | _____ |
| 2. Cane purchased from other sources (Qtl.) | _____ |
| 3. Total cane purchased (Qtl.) i.e. (1 + 2) | _____ |

Signature

(Name & Designation of Unit Official)

The above information is certified to be correct and in agreement with the records maintained by the sugar factory

(Chartered / Cost Accountant), Membership No. & Seal)

INFORMATION FOR CALCULATION OF LEVY SUGAR PRICE FOR THE SUGAR SEASON 2011-12

Short Name:
Code Number:
Name & Address:
Zone:

A Information of Molasses for the Sugar Season 2011-12 (Actual)

- 5. Total Quantity of Molasses produced (Quintal) _____
- 6. Quantity of Molasses:



- (a) Used for captive consumption (Qtl.) _____
- (b) Used for inter-group transfer (Qtl.) _____
- (c) Sold to outside parties (Qtl.) _____
- (d) Total Quantity (a+b+c) (Qtl.) _____

7. Amount realized from above excluding excise duty:

- (e) Transfer value of captive consumption (Rs.) _____
- (f) Sales Realization from Inter group transfer (Rs.) _____
- (g) Sale of Molasses to outside parties (Rs.) _____
- (h) Total amount realized (a + b + c) _____

8. Average rate of realization per quintal

- (a) For captive consumption i.e. $(3a / 2a =$ _____
- (b) For inter-group transfer i.e. $(3b / 2b =$ _____
- (c) For sale to outside parties i.e. $(3c / 2c$ _____

B. Information on purchase of sugarcane for the sugar season 2011-12

Sugar Season

2011-12

1. Cane purchased from Cooperative Societies (Qtl.) _____
2. Cane purchased from other sources (Qtl.) _____
3. Total cane purchased (Qtl.) i.e. (1 + 2) _____

Signature

(Name & Designation of Unit Official)

The above information is certified to be correct and in agreement with the records maintained by the sugar factory

(Chartered / Cost Accountant), Membership No. & Seal)



Chapter 18

Ministry of Textile

18.1 HANK YARN PACKING NOTIFICATION

A Statutory notification dated 31st March, 2000 issued for the protection and in the interest of the handloom industry.

PART – 1

PREAMBLE :

The Textiles (Development & Regulation) Order, 1993, an order issued under Section 3 of the Essential Commodities Act 1955, empowers the Textile Commissioner appointed by the Central Government, inter-alia, for the protection of the handloom industry (a rural based industry) by way of ensuring that the yarn in hank form is available in adequate quantity at reasonable prices to the handloom industry and for that purpose, to make statutory provisions and for securing compliance to the said statutory provisions by all concerned, regulate, monitor, direct the textile industry, trade and the related associations, federations, firms, persons, non-governmental organizations, councils, bodies, co-operatives and public sector undertakings, etc. and in this regard to secure co-ordination from the central and State Government departments/ offices/ organizations and the semi-government/government undertaking organizations.

The handloom industry which caters to the employment and earning capacity of lakhs of poor handloom weavers and their family members needs to be provided with adequate quantity of yarn in the hank form (its raw material) at reasonable prices and on an assured basis. With this objective in view, this statutory notification has been issued by the Textile Commissioner.

PART – II

1. STATUTORY PROVISIONS:

In exercise of the powers conferred on the Textile Commissioner, appointed by the Union of India (hereinafter referred to as the Textile Commissioner) by clauses 8, 12 & 13 of the Textiles (Development & Regulations) Order, 1993, an order issued under Section 3 of the Essential Commodities Act, 1955, I, as the Textile Commissioner, hereby stipulate/prescribe the following definitions, directions, regulations, provisions, guidelines and instructions etc., to be complied with by all concerned, namely the concerned textile industry, trade and related associations, federations, persons, non-governmental organizations etc.

2. SHORT TITLE, EXTENT, COMMENCEMENT AND APPLICATION:

- i) This notification shall be called as the "Hank Yarn Packing Notification 2000" (hereinafter referred to as 'H.Y.N.2000').
- ii) It extends to the whole of India.
- iii) It shall come into force with effect from the 1st of April, 2000.
- iv) It shall continue to be in force until further direction from the Textile Commissioner.



3. REPEAL AND SAVINGS:

- i) The Hank Yarn Packing Notification No.8/TDRO/8/2/95 dated 20th March, 1995, ceases to have effect from the date the H.Y.N.2000 comes into force.
- ii) Notwithstanding such cessations of the notification referred to in sub clause (1), any order made, anything done or any action taken or rights accrued or penalty incurred or any direction made or notice issued or exemption granted or deemed to have been made, done, taken accrued, incurred, issued or granted, as the case may be, under the Hank Yarn Packing Notification No.8/TDRO/8/2/95, dated 20th March, 1995, shall be deemed to have been made, done, taken, accrued, incurred, issued or granted under the corresponding provisions of the H.Y.N.2000.

4. DEFINITIONS.

- (i) "Captive consumption" shall mean the yarn actually used by a producer of yarn for producing cloth in their own weaving/loom shed and/or knitting department, situated within India.
- (ii) "Quarterly period" for the purposes of H.Y.N.2000 shall mean the period January-March, April-June, July-September and October-December of a calendar year.
- (iii) "Transferee mill" shall mean the mill which has packed hank yarn in excess of its own obligation and seeks to accept, to the extent of such excess packing, the obligation on account of another mill with a shortfall in fulfillment of its hank yarn packing obligations.
"Transferor mill" shall mean the mill which has a shortfall in the fulfillment of its hank yarn packing obligation and seeks to fulfill the said shortfall by transfer of obligation to another mill which has packed hank yarn in excess of its own obligation.
- (v) "Yarn" for the purpose of H.Y.N.2000 shall mean, yarn spun from not less than 90% cotton and/or 90% viscose fibre including their blends and/or their wastes but does not include the following:
 - a) hosiery yarn;
 - b) Sewing thread;
 - c) Industrial yarns, like tyre cord, multiple yarn (more than 2 ply yarn), as defined by the Bureau of Indian Standards from time to time;
 - d) Mixed yarn of various counts reeled off from cop bottoms and yarn comprising single count yarn reeled off from cop bottoms having lose ends or knots at short lengths; and
 - e) Cellulosic/non-cellulosic filament yarn or metallic yarn.
- (vi) "Yarn packed for civil consumption" shall mean, the yarn packed for sale in the domestic market, which includes the following:
 - a) In the case of a producer of both yarn and cloth, the yarn packed for delivery, transfer and sale in India other than exports and deemed exports as defined in the Export and Import Policy in force, in excess of the yarn actually used for producing cloth in their own weaving/loom shed and/or knitting department situated within India, (i.e. captive consumption) irrespective of whether the spinning, and weaving and/or knitting units/departments are located in the same premises or not.
 - b) In the case of a producer of only yarn, the yarn packed by him for delivery, transfer and sale in India other than exports and deemed exports as defined in the Exports and Import Policy in force.



- c) All other terms defined in the Textiles (Development & Regulations order, 1993, shall carry the same meaning for the purposes of H.Y.N.2000 to the extent relevant and necessary.

5. SUBMISSION OF QUARTERLY RETURN:

Every producer of yarn shall furnish to the concerned Regional Office of the Textile Commissioner under whose jurisdiction such producer of yarn is located and to the Consumer Service Section of the Headquarters Office of the Textile Commissioner, M/o Textiles, Govt. of India, New C.G.O. Building, 48, new Marine Lines, Mumbai - 400 020, true and accurate information regarding packing of yarn in compliance with the directions, provisions, guidelines, etc. contained in HYN 2000, in Annexure-I appended to HYN 2000, so as to reach the said offices on or before the 10th of the second month after expiry of each quarterly period, by Registered Post A.D. or by acknowledged hand delivery.

6. EXTENT OF OBLIGATION AND FULFILLMENT THEREOF:

- i. Every producer of yarn who packs yarn for civil consumption shall pack yarn in hank form in each quarterly period commencing from April - June, 2000 and in every subsequent quarterly period, in proportion of not less than fifty percent (50%) of total yarn packed by him during each quarterly period for civil consumption;

Provided that in regard to yarn containing cotton including cotton waste to the extent of 90% or more by weight, not less than eighty percent of the yarn required to be packed in hank form shall be of counts 40s and below.

- ii. A producer of yarn who is unable to pack yarn in hank form for any reason or who does not have reeling capacity to pack yarn in hank form, up to the extent of stipulation made/proportion prescribed under sub clause (1) shall fulfill his obligation prescribed under this clause in either of the following manners:-
- a) A producer of yarn, with the written permission of the concerned Central Excise Department and the Regional Office of the Textile Commissioner, shall get his yarn reeled into hank form, by another producer having surplus reeling facility or through independent reeling unit(s) which is(are) in the records of the respective Regional Office of the Textile Commissioner. A producer of yarn who avails of this facility shall produce a certificate in the **'Form-A' appended to this notification, duly certified by a Chartered/Cost Accountant,** to the concerned Regional Office of the Textile Commissioner alongwith the quarterly hank yarn packing return, i.e., Annexure-I, appended to the HYN 2000, for every concerned quarterly period.

OR

- b) The shortfall in respect of one producer of yarn (called as the transferor) for a particular quarter shall be met by another producer (called as the transferee) after fulfilling his (transferee's) own hank yarn packing obligation to the satisfaction of the concerned Regional Office of the Textile Commissioner, and in this regard, the information shall be furnished by the transferor in Annexure-II appended to HYN 2000, so as to reach the **jurisdictional** Regional Office of the Textile Commissioner and the Consumer Service Section of the Office of the Textile Commissioner, M/o Textiles, Govt. of India, new C.G.O. Building, 48, New Marine Lines, Mumbai - 400 020, on or before the end of the second month after the expiry of each quarterly period, by Registered Post A.D. or by acknowledged hand delivery.

7. CARRY FORWARD OF OBLIGATION:

If the shortfall in hank yarn packing obligation, that is to say, the overall hank yarn packing obligation and/or coarser counts of hank yarn packing obligation is 15% or less than 15%, and if it is not possible to fulfill the same by transfer of obligation within the same quarterly period, the said shortfall hank yarn packing obligation may be carried forward



to the immediately following quarterly period and the same should be fulfilled in the said following quarterly period either by own packing or by transfer.

8. CARRY FORWARD OF EXCESS PACKING:

The surplus hank yarn packing in a quarterly period can be carried forward by a mill only to the following quarterly period for the purposes of fulfillment of its own shortfall in hank yarn packing obligation in the said following quarterly period, but not for undertaking hank yarn packing obligation of a transferor mill or for any other purpose or for any other quarterly period.

9. FULFILMENT OF OBLIGATION BY TRANSFER:

- i. The fulfillment of shortfall hank yarn packing obligation by a transferor mill for any quarterly period shall be against the hank yarn packing of the transferee mill in excess of its own obligation in the same quarterly period only.
- ii. If a mill which packed hank yarn more than its own hank yarn packing obligation, fails to submit the quarterly return in Annexure-1 within the due date prescribed under HYN 2000, it shall not be eligible for undertaking other mill's (transferor mill's) shortfall hank yarn packing obligation even if it submits the quarterly returns later and whether or not the delay in submission of the said quarterly return is condoned or not.

PART – III

10. EXEMPTION:

- i. A spinning mill declared through an appropriate notification or order as a 'relief undertaking' by the concerned State Government shall be exempted from the fulfillment of hank yarn packing obligation for the period specified in the notification or order.
- ii. The spinning mill declared as 'relief undertaking' shall submit a certified copy of such order/notification of the State Government to the Consumer Service Section of the Office of the Textile Commissioner, Mumbai, with a copy to the jurisdictional Regional Office of the Textile Commissioner within one month from the date of such notification or order, failing which, the exemption from fulfillment of the hank yarn packing obligation will be admissible from the actual date of submission thereof to the aforesaid authorities.
- iii. Notwithstanding the fact that a spinning mill has been exempted from fulfillment of hank yarn packing obligation under this clause, it shall be required to furnish the Hank Yarn Packing Return (Annexure-1) in terms of clause-5 of H.Y.N.2000.

11. DUTY TO GIVE INFORMATION, ETC.

No person shall, with an intent to evade the provisions of this notification, refuse to give any information lawfully demanded from him in terms of his notification or conceal, destroy, mutilate or deface any book or other documents or articles kept by him in the course of his business. Any such acts of omission or Commission shall constitute a violation of the provisions of this Notification read with the Textiles (Development & Regulation) Order, 1993 and the Essential Commodities Act, 1955.

MINISTRY OF TEXTILES
(Office of the Textile Commissioner)
HANK YARN PACKING NOTIFICATION (AMENDMENT)
Mumbai, the 31st March, 2010

No.04/TDRO/8/2010 In exercise of the powers conferred on me under clause 3, 8 and 11of the Textile (Development and Regulation) Order, 2001, issued under Section 3 of Essential Commodities Act, 1955, I hereby amend the existing Hank Yarn Packing Notification No. 2/TDRO/8/2003 dated 17-4-2003, as under:-

Sr No.	Existing Para of Hank Yarn packing Notification No. 2/TDRO/8/2003 dt 17-4-2003 which is to be amended	Existing Provisions	Proposed amendment
1.	PART-II, Para 6(1)	Provided that not less than eighty percent of the yarn required to be packed in hank form shall be of counts 40s and below.	Provided that not less than eighty percent of the yarn required to be packed in hank form shall be of counts 80s and below.

Form 'A', Annexure -I and Annexure-II, appended to Hank Yarn Packing Notification, 2003, are amended accordingly (copy enclosed).

All other terms and conditions mentioned in the Hank Yarn Packing Notification No.2/TDRO/8/2003 dated 17-4-2003 will remain unchanged.

This notification shall come into force w.e.f. The first of April, 2010.

A.B. Joshi,
Textile Commissioner

FORM- A
CERTIFICATE OF REELING OF HANK YARN FROM OUTSIDE
(Form-A, under clause 6 (2) of HYN 2003)

“Certificate that the following quantity of yarn produced by M/s. during the quarterly period, has been got reeled into hank form through M/s....., located at (full address) with the due permission of the Central Excise Department vide letter No....., dated (copy enclosed), and the Regional Office of the Textile Commissioner,, vide letter No....., dated”

Quantity in Kg.

Sl. No.	YARN SENT OUTSIDE FOR THE PURPOSE OF REELING INTO HANK FORM	QUANTITY OF YARN PACKED IN HANK FORM OUT OF THE YARN MENTIONED AT COL. NO.5

	Category/form of yarn	In counts 80s and below	In counts above 80s	Total	In counts 80s and below	In counts above 80s	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Cone						
2.	Cheese						
3.	Cops						

Signature (with date) of Proprietor/Partner/
Managing Director/Director/Authorised
Signatory of the mills who produce yarn with date)

(Signature of the Proprietor/ Partner
/Managing Director/Authorised Signatory
of the reeling unit who reeled the other
form of yarn into hank form, with date)

Seal of the Company/Firm

Seal of the Company/Firm

(Signature with date, seal and
Enrollment No. of the Chartered Accountant/
Cost Accountant, as the case may be



ANNEXURE-I

QUARTERLY HANK YARN PACKING RETURN

(Under clause 5 of HYN 2003, No. 2/TDRO/8//2003, dated 17th April, 2003).

Note: The Annexure-I, is to be submitted to the jurisdictional Regional Office of the Textile Commissioner, so as to reach the said offices on or before the 10th of the Second month after expiry of the concerned quarterly period.

Part (00) Identification particulars:

(4-10)

1. Mill's Serial No. _____
2. Mill's Name and Address _____
3. Whether Spg. Or Composite Unit ----- FORM No.
 1 2 3
 Q 0 3
4. Nature of Management
 (Write 1 for NTC, 2 for STC, 3 for Co-op. and 4 for Pvt. /Others in the box) -----
5. Quarterly return pertaining to the period ending on _____
 11 12 13 14

Part (01) Packing details of non-obligatory varieties of yarn and yarn exempted from/not falling within the purview of Hank Yarn Packing Notification-2003										
Item	Hosiery Yarn (supporting Documents Should be Maintained)	Sewing Thread	Industrial Mixed Yarn	Yarn Reeled Off from Cop Bottoms	Yarn spun wholly from cotton exported out of India (supporting Documents Should be Maintained)	Yarn spun wholly from cotton delivered as deemed exports (as defined in Export & Import Policy)	Yarn spun wholly from cotton used For captive Consumption (supporting Documents Should be Maintained)	Yarn Spun From other than wholly cotton	Other Non-Obligatory Variety of Yarn Packed (with Generic Name)	Total (Col. Nos. 1 to 9)



0	1	2	3	4	5	6	7	8	9	10
(15-20)6	(21-27)7	(28-34)7	(35-41)7	(42-48)7	(49-55)7	(56-62)7	(63-69)7	(70-76)7	(77-83)7	(84-90)7
010101										

Part (02) YARN PACKED FOR CIVIL CONSUMPTION (OBLIGATORY VARIETIES) FORM Q 03				
Description/Form of packing	Item No.	Wholly Cotton Yarn		
		Count 80s & below	Count above 80s	Total (1 + 2)
0	00	1	2	3
(0)	(15-20)6	(21-27)7	(28-34)7	(35-41)7
a)Hank (Including yarn reeled into hank form from outside reelers)	020101			
b)CONE	020201			
c)PIRNS	020202			
d)BEAM	020203			
e)OTHERS	020204			
f)Total quantity of yarn, other than in hank form, packed for civil consumption (a+b+c+d+e)	020300 (020201+020202+020203+020204)			
g)Total quantity of Yarn packed for civil Consumption (a +f)	020400 (020101+020300)			



h) Hank Yarn Packing Obligation (H.Y.P.O)	020501	80% of (h) of column No.3 = A. (80% of item No. 020501 of Column. No.3)		40% of (g) of column No.3 = B (40% of item No. 020400 of Col.3)
i) Shortfall in fulfillment of H.Y.P.O. [(h) – (a)]	020601 (020501-020101) No. 3	A-(a) of col. No. 1 B-(a) of column		B-(a) of column No.3
j) Excess hank yarn packing after fulfilling his own obligation [(a) – (h)]	020701 (020101-020501)	(a) of Column No.1-A		(a) of column No.3-B

Part (03) Stock of Hank Yarn Held

(In kgs)

Month	Unsold Stock			Stock sold but not lifted			Total Stock (2+3)
(1)	(2)			(3)			(4)
	Count 80s & below	Count above 80s	Total	Count 80s & below	Count above 80s	Total	
(a) Stock on last day of the 1 st month of the quarter							
(b) Stock on last day of the 2 nd month of the quarter							
(c) Stock on last day of the 3 rd month of the quarter							

Certified that the particulars furnished above are true and correct. For fulfillment of shortfall H.Y.P.O., the Annexure-II shall be submitted so as to reach jurisdictional Regional Office of the Textile Commissioner on or before the end of the second month after the expiry of quarterly period for which this Annexure-I is submitted.

Certified that the particulars furnished above are verified and found to be true and correct to best of my (Mills Management) knowledge and belief.

Certified that the particulars furnished above are verified and found to be true and correct to the best of my (C.A's) knowledge and belief.



Signature (with date) of the Proprietor/Partner/MD/
Director/Authorised Signatory of the mill.
(Name & Seal of the Mill)

Signature (with date) of the
Chartered Accountant/ Cost Accountant
(with Name and Enrolment No. of C.A.)

ANNEXURE-II

Application for transfer of Hank Yarn Packing Obligation (H.Y.P.O)

(Under Clause 6(2) of HYN 2003, No. 2/TDRO/8//2003 dt. 17th April, 2003)

Note: The Annexure-II is to be submitted by the transferor mill(s) to the jurisdictional Regional Office of the Textile Commissioner so as to reach the said offices on or before the end of the second month after the expiry of the concerned quarterly period.

To
Regional Office of
The Textile Commissioner,
.....

Sir,

In terms of the Hank Yarn Packing Notification No. 2/TDRO/8//2003 dated 17.04.2003, we (transferor) were required to pack kgs. of yarn for civil consumption in hank form (H.Y.P.O) during the quarterly period .Whereas we have packed kgs. of yarn in hank form and already transferred kgs of H.Y.P.O of the said quarterly period to other transferee mill(s).Now we the transferor, have shortfall to the extent of _____ kgs. in fulfilment of the H.Y.P.O., for the quarter.....We therefore approached the transferee mill(s) M/s who have got excess hank yarn packing during the current quarter after fulfilling their own H.Y.P.O., for transfer of our shortfall H.Y.P.O for the quarter .We have also confirmed from transferee Mill(s) that they have submitted Annexure-I for the current quarter to their jurisdictional Regional Office of the Textile Commissioner within due date specified in the HYN 2003.The particulars of transfer of H.Y.P.O. by the transferor mill and the particulars of excess hank yarn packing by the transferee mill(s) are furnished below:

I. Mill Serial No. of Transferor:

(in Kgs.)

Sl. No.	Item No.	Particulars of transferor mill i.e. M/s.....	Wholly cotton Yarn	Counts 80s & below (in case of Column 2),
0	00	1	2	3
1	010101	Total H.Y.P.O.		
2	010201	(i)Hank yarn packed (by own packing including yarn reeled from outside reelers)		

3	010202	(ii) Quantity of H.Y.P.O. transferred so far		
4	010203	(iii) Total (i)+(ii)		
5	010301	Quantity of H.Y.P.O. now being transferred		
6	010401	Net further shortfall of H.Y.P.O. if any , Sr. No.[1-(4+5)]		

II. Mill Serial No. of Transferee:

(in Kgs.)

Sl. No.	Item No.	Particulars of transferor mill i.e. M/s..... ,	Wholly cotton Yarn	Counts 80s & below (in case of Column 2),
0	00	1	2	3
1.	020101	Total H.Y.P.O.		
2.	020201	(i)Hank yarn packed (by own packing including yarn reeled from outside reelers)		
3.	020301	Excess Hank Yarn Packed Sr. No. (2-1)		
4.	020401	H.Y.P.O. of other mill(s)/producer(s) so far undertaken		
5.	020501	H.Y.P.O. of above transferor mill(s) now being undertaken		
6.	020601	Remaining (balance) excess, hank yarn packed, if any Sl. No.[3-(4 + 5)]		

We, the transferee mills have submitted Annexure-I for the current quarter _____ to our Jurisdictional Regional Office of the Textile Commissioner _____ within due date specified in HYN 2003.

We, the transferor and transferee mills agree with the above arrangement and request you to kindly issue us the registration letter for transfer of above H.Y.P.O. of above transferor mill.

We further certify that the particulars furnished above are true and correct to the best of our knowledge and belief. We fully understand that, if any of the information furnished above is found incorrect at any point of time, the registration letter issued by the jurisdictional Regional Office of the Textile Commissioner shall stand null and void without prejudice to any action that may be initiated against us severally or jointly, by the office of the Textile Commissioner.

Thanking You,

Yours faithfully,

Signature (with date) of Proprietor/Partner/
Managing Director/Director/Authorised
Signatory of transferee mill (with full address
& Phone no. of the Mill)

Signature (with date) of Proprietor /Partner /
Managing Director/Authorised Signatory of
transferor mill (with full address & phone No. of
the Mill)

CERTIFICATE OF CHARTERED ACCOUNTANT/COST ACCOUNTANT

We certify that the above information furnished by the transferor and the transferee mills tally with the Central Excise documents and other relevant records maintained by them.

<p>Signature (with date) of the Chartered Accountant/Cost Accountant Of TRANSFEROR mill. (with Name & Enrolment No. and seal)</p>	<p>Signature (with date) of the Chartered Accountant/ Cost Accountant of TRANSFEREE mill. (with Name & Enrolment No. and seal)</p>
---	--

SECTION III

CHAPTER 19-CHAPTER 28



Chapter-19

Regulatory Authorities : - Fertilizer Industry Coordination Committee (FICC)

19.1 Retention Price cum Subsidy Scheme of FICC, Ministry of Chemicals and Fertilizers, Department of Fertilizers

The Retention Price Cum Subsidy Scheme (RPS) for indigenous nitrogenous fertilizer units was introduced by the Government of India in November 1977 to ensure a reasonable return on investment and to facilitate healthy development and growth of fertilizer industry. The Scheme was later extended to phosphatic and other complex fertilizers in February 1979 and Single Super Phosphate (SSP) in 1982. However, from August 1992, the Government has progressively decontrolled the prices and distribution of phosphatic and other complex fertilizers. At present, farm gate price of Urea is controlled by the Government whereas its distribution has been partially decontrolled from 1 April 2003.

The Retention Price Scheme stimulated indigenous production and consumption of fertilizers in the country. However, for attaining greater internal efficiencies and global competitiveness, unit specific approach of RPS has been replaced by a group based concession scheme based on greater normative approach called the New Pricing Scheme (NPS) from 1 April 2003. The Fertilizer Industry Coordination Committee (FICC) constituted on 1 December 1977 to administer and operate the Retention Price Scheme continues under the New Pricing Scheme for administration of the scheme for urea.

The present policy being the stage III of New Pricing Scheme is governed by letter no. 12012/3/2006-FPP dated 8th March, 2007. Though the duration of the said letter for NPS stage III ends on 31.03.2010, this is being continued till further orders from the Department of Fertilizers. New pricing scheme is reproduced as under:

No. 12012/3/2006-FPP(II).
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

...

Shastri Bhawan, New Delhi.
8th March, 2007.

To,
Chief Executives of all urea companies/Cooperatives
(As per list attached)

Sir,

The Stage-III of New Pricing Policy for urea manufacturing units will be implemented w.e.f 1.10.2006. Salient features of the policy as also the modalities for implementation of the Scheme are given in **Annexure I-A**.

2. The Fertilizer Industry Coordination Committee, as before, will continue to administer and operate the new Pricing Scheme for urea units.

3. The urea manufacturing unit(s) may communicate their participation in the Scheme as per proforma of the undertaking enclosed at Annexure-II to this letter, duly executed by the competent authority on behalf of the company so as to reach this Department before March, 31 2007. The undertaking will be required to be executed on the Stamp Paper of the requisite value, for each unit separately. Further, the undertaking will be required to be attested either by Judicial/Metropolitan Magistrate or a Notary Public.

4. The receipt of this letter may kindly be acknowledged.

Yours faithfully,
(Deepak Singhal)
Joint Secretary to the Government of India
Tel No. 23381294

ANNEXURE. I-A.

No. 12012/3/2006-FPP
Government of India
Ministry of Chemicals & Fertilizers
(Department of Fertilizers)

Shastri Bhawan, New Delhi.
8th March 2007

To,
The Executive Director,
Fertilizer Industry Coordination Committee,
8th Floor, Sewa Bhawan,
R. K. Puram,
New Delhi.

Subject: Policy for Stage-III of New Pricing Scheme for urea manufacturing units.

Sir,

I am directed to refer to this Department's letter No. 12019/5/98-FPP dated 30th January 2003 and No. 12019/19/2003-FPP, Dated 29-7-2003 vide which the salient features of Stage- I & II of New Pricing Scheme (NPS) introduced w.e.f 1.4.2003, were communicated. It was, inter alia, communicated that the modalities of Stage-III would be decided by the Department of Fertilizers (DOF) after review of the implementation of Stage-I and Stage-II. It has been decided to implement Stage-III of NPS with certain modifications as contained in the succeeding paragraphs.

(A) Duration.

2. The Policy for NPS Stage-III will be effective from 1.10.2006 to 31.3.2010. Stage-II Policy has been extended upto 30.9.2006. The policy for incentivizing additional production of urea during Stage-III of NPS will be applicable from the date of notification and till then the additional production of urea by units beyond 100% of their capacity will be governed by the existing policy of sharing of the net gain between the Government and the unit in the ratio of 65:35.

(B) Grouping of urea units

3. During Stage-III of NPS, the following measures will be taken to calculate concession rates of urea units :-

- (i) Existing six group classification will continue as given in **Annexure. I-A.**
- (ii) Group averaging will be done after updation of all costs upto 31.3.2003.
- (iii) Capacity utilization levels of 93% for pre-92 Naphtha and FO/LSHS based plants and 98% for pre-92 gas, post-92 gas, post-92 Naphtha and mixed energy based plants will be considered for calculating the base concession rates of urea units as on 31.3.2003.
- (iv) Transportation cost of gas will be computed and paid separately.
- (v) The updated notional concession rates of all urea units as on 1.4.2003 so determined on the pattern followed during Stage-I of NPS will form the basis to calculate the concession rate payable to each urea unit during Stage-III of NPS commencing from 1.10.2006. No outlier benefit will be admissible to any unit in Stage-III of NPS.



(vi) On the base concession rate so determined for each unit, only escalation and de-escalation on components of variable cost on actual basis subject to pre-set energy norms given in Stage – III.

(vii) A deduction of Rs 50/MT from the concession rates of pre-92 Naphtha and FO/LSHS based and Rs. 75/MT from the other units for the reduced capital related charges (CRC) will be made.

(viii) The respective pre-set energy consumption norm of each urea unit during Stage-II of NPS or the actual energy consumption achieved during the year 2002-03, whichever is lower, will be recognized as the norm for Stage-III of NPS.

(ix) Saving on energy over the pre-set norms will be paid as per the basic rate of the weighted average of feed/fuel used during Stage-III of NPS.

(C) Resumption of urea production by units under shutdown.

4. Resumption of production by urea units currently not in production, viz, RCF-Trombay-V, FACT-Cochin and Duncans Industries Limited (DIL)-Kanpur is allowed based on natural gas/LNG/CBM/Coal gas. Upon resumption, the base concession rate of these units will be the Stage-III concession rate of the group to which they belonged, or their own concession rate updated till 31.3.2003 for all costs and thereafter adjusted for the feedstock changeover, whichever is lower.

(D) Conversion of non-gas based units to NG/LNG.

5. (i) All functional Naphtha and FO/LSHS based units should get converted within a period of 3 years (of these, Shriram Fertilizers & Chemicals Ltd (SFC) Kota is expected to convert by the end of the current financial year). On the expiry of the aforementioned period, the Government will not subsidize the high cost urea produced by the non-gas based urea units and rate of concession of such units will be restricted to the lower of the prevalent import parity price (IPP) or their own rate. Units not able to tie up gas will have to explore alternative feedstock like Coal Bed Methane(CBM) and coal gas.

(ii) In order to provide incentives for conversion to gas, since there is no recognition of investment made by units for conversion, there will be no mopping up of energy efficiency for a fixed period of 5 years for Naphtha based as well as for FO/LSHS based units. Capital subsidy will be considered for FO/LSHS based units for which DOF will notify a separate scheme in consultation with Department of Expenditure(DOE) Ministry of Finance.

(iii) For conversion of the non-gas based Urea Plants to Natural Gas (NG) / Liquefied Natural Gas (LNG), a Committee headed by Petroleum Secretary, comprising of Secretaries of Planning Commission, Department of Fertilizers and Department of Expenditure has been constituted for facilitating the connectivity and supply of gas to non-gas based units converting to gas and to develop appropriate mechanism for fixing the price of gas in a transparent manner.

(E) Incentives for additional urea production.

6. The following measures are decided to be implemented to incentivise additional Urea production in the country:-

(i) No permission will be required from the Government for production beyond 100% of re-assessed urea capacity of the unit.



- (ii) All production between 100% and 110% of the existing reassessed capacity, if so required by the government as per the approved production plan will be incentivized on the existing net gain sharing formula between the Government and the unit in the ratio of 65:35 respectively with the proviso that the total amount paid to the units, after including the component of variable cost will be capped at the unit's own concession rate.
- (iii) Units increasing production beyond 110% may be compensated at their concession rate, subject to the overall cap of IPP.
- (iv) While procuring additional urea beyond 100% of the reassessed capacity of urea units, a merit order system of procurement will be followed. In other words, the units which supply urea at the least cost would be given preference in procurement.
- (v) The cost of feedstock/fuel allowed will be in the ratio of gas/LNG/Naphtha etc. with reference to actual ratio of consumption of annual actual production of urea up to that portion of the incremental production of urea required by the Government for sale to agriculturalists. Energy/inputs for non-agricultural sale/exports and surplus ammonia shall be allocated on costlier feed/fuel basis.
- (vi) To the extent that the Government does not require any quantities of additional production for direct sale to agriculturalists, the concerned units would be free to dispose of the remaining quantities by way of exports, sale to complex manufacturers etc. without seeking prior permission of DOF.
- (vii) Government will not subsidize the additional production, if not required by it for agricultural consumption.

(F) Distribution and Movement Issues

7. The following measures have been decided to be implemented for movement of Urea to District level and below:-

- (i) The Government will continue to retain the authority to direct movement of urea stock up to 50% of production depending upon the exigencies of the situation.
- (ii) States would be required to allocate the entire quantity of planned urea arrivals i.e., both regulated and de-regulated urea in a Districtwise, month- wise and supplier wise format.
- (iii) Each unit will maintain a district level stock point in the districts where it is required to supply urea. These district level stock points will be the primary Godowns.
- (iv) Subsidy to individual units will be reimbursed based on conformity to planned movement up to district level for both controlled and decontrolled urea. The monitoring of the movement and distribution of urea throughout the country will be done by an On-line computer based monitoring system. The time limit of existing payment system i.e., 45 days will be adhered to. It will be ensured that no certification by State Governments is required for release of subsidy to urea Units. Subsidy will be paid only when the urea reaches the district.
- (v) The Department will operate a buffer stock through the State Institutional Agencies /Fertilizer Companies in States up to a limit of 5% of their seasonal requirement.
- (vi) The Department will work through the agricultural department of the states to realize the objective of adequate and timely availability of urea at the Block level.

8. The freight reimbursement to urea units under NPS-III will be done as follows:-



- (i) Primary Freight will be reimbursed on the basis of actual leads for rail movement;
- (ii) Reimbursement of railway freight will be as per the actual expenditure;
- (iii) For the road component of the primary freight, road leads will be as per actual distance to the primary godown and per tonne Km. rates will be escalated by the composite road transport index { weighted average of the Wholesale Price Indices (WPIs) of HSD oil, Motor Tyres, Truck Chassis and All Commodities};
- (iv) One time enhancement of 33% will be granted on the road component of primary freight to offset the impact of Supreme Court directed maximum truckload limit of 9 MT on road vehicles;
- (v) Tariff Commission will be requested to fix average leads and per tonne km base rates for road transportation in the case of secondary movement. These rates will be escalated by WPI (composite road transport index) every year;
- (vi) Pending finalization of leads and rates by the Tariff Commission, secondary freight which was frozen at 2002-03 rates during Stages I & II of NPS will be escalated by the increase/decrease in WPI (composite index) since 2002-03;
- (vii) The Freight computed and paid as per the policy shall not exceed the actual freight expenditure incurred by the units.
- (viii) The existing scheme for special freight subsidy will continue for supplies to the North Eastern States and Jammu & Kashmir.

(G) Policy in respect of high cost units (producing at higher than IPP):

9. In order to disincentivise high cost production of 8 Naphtha and FO/LSHS based units whose cost of production is higher than the prevalent IPP, to facilitate their early conversion to gas, these units are allowed to produce 100% of capacity should they adhere to an agreed timetable for conversion to gas and tie up of gas/LNG/CBM/Coal gas. If they do not, they will be given only 75% of the difference between the rate of concession and variable cost component (i.e., 75% of the balance fixed costs beyond 93% of capacity utilization) in the 1st year (1.4.2007) and 50% of the fixed cost beyond 93% capacity utilization from 2nd year (1.4.2008) onwards.

(H) Policy for import of urea.

10. The existing system of import of urea through designated State Trading Enterprises (STEs) i.e. Minerals & Metals Trading Corporation (MMTC), State Trading Corporation (STC) and Indian Potash Limited (IPL) will continue.

(I) Policy for Joint Ventures Abroad

11. To encourage setting up of JV fertilizer plants abroad in countries where gas is available in abundance and is much cheaper, the JVs for production of urea will be set up abroad subject to the condition that the Government will enter into / encourage long term buy back arrangements with JVs abroad depending upon merits. Accordingly, suitable mechanisms be evolved for effectively securing long term fertilizer related supplies, including through investments and joint ventures abroad.

(J) Other Measures

12. Cost of bags The cost of bags, which was frozen during Stage-I & II of NPS, will now be allowed based on moving weighted average cost of bags to compensate for the rise in prices over the last three years. For the year 2006-07, the weighted average of the cost of bags for each unit will be for the three years beginning 2002-03 and accordingly thereafter.

13. Taxes on inputs



For Stage-III, it is decided that sales tax on inputs and other taxes recognized under RPS will be paid on actual basis. Where Value Added Tax (VAT) has been introduced, such of the above taxes as are subsumed in it will be recognized to the extent they are non vatable.

In case of any issue/dispute relating to interpretation of the policy, the decision of Department of Fertilizers shall be final. The above provisions will remain in force during the Stage-III of NPS or until further orders, whichever is earlier.

Yours faithfully,

(Deepak Singhal)

Joint Secretary to the Government of India

Tel No. 23381294

**FERTILIZER INDUSTRY COORDINATION COMMITTEE
(MINISTRY OF CHEMICALS & FERTILIZERS)**

Ref. No. FICC/CE/149/IV

Fertilizer Industry Coordination Committee
8th Floor, Sewa Bhawan
R, K. Puram
New Delhi-110066

March 30, 1993

To

All nitrogenous and complex fertilizer units.

Subject: -Proformae for submission of Annual Cost Data to FICC by the fertilizer units Sir,

A set of proformae for submission of cost data annually to FICC is enclosed for your use. It would be observed that apart from basic information, fertilizer units have to submit actual cost data based on the audited accounts of the company/unit. Besides, information necessary for updating the cost, review of repairs & maintenance expenditure, etc. for adjustment on an annual basic etc. is also required to be submitted. It may be noted that piece-meal information will not be accepted by FICC. The units should satisfy themselves before submission that there are no factual errors. Each page has to be signed by the Head of Finance Division of the unit and **certified by a practicing Chartered/Cost Accountant** after due verification with reference original records. It is expected that while furnishing the data the units/certifying accountants would realize that submission of wrong data may entail action, including stoppage of payment of subsidy. For uniformity, units are requested not to deviate from the proformae prescribed except to give additional entries for clarifications, groupings, additional products, etc. The data may be made precise and neatly bound before submission.

2. All fertilizer units are requested to submit the years 1990-91 and 1991-92 separately within a period of two months. Due for the year 1992-93 may be submitted immediately after finalization of accounts.

Yours Faithfully
(P.K. Tantri)



Director (CE.)

The ACD (Annual Cost Data) is to be submitted by every urea manufacturing unit every year which are to be certified by Cost/Chartered Accountant. The exhaustive information is to be provided in the forms ACD-1 to ACD-10A duly reconciled with the audited annual accounts of the company.

On the basis of ACD, FICC (Fertilizer Industry Coordination Committee) calculates the Concession Rate (erstwhile Retention Price) payable to a unit.

1.1.2 The above circulars are still valid for the new Pricing Period and Fertilizer companies continue to submit the forms after certification by cost accountants in practice.

General Information:

ANNUAL COST AND FINANCIAL DATA FOR THE FINANCIAL YEAR (12 MONTHS) ENDED MARCH					
1. a) Name of the Company :					
b) Name of the Unit :					
c) Address of the Unit :					
2. Name of the Products manufactured(Inter-mediate : and end products including non-fertilisers, if any)					
3. Date of commencement of Commercial Production for : each product mentioned in reply against Pt.No.2					
4. Capacity and Production					
Sl. No.	Name of the Utility/ Inter-mediate/End product	Installed Capacity (MT/M3/M WH) per annum	No. of Stream days Operated	Actual Production (MT/M3/M WH) per annum	%age of Capacity Utilisation
1.					
2.					
3.					
4.					
5. Total Investment in the project					
				(Rs. Lakhs)	
	Particulars	Fertiliser	Non-	Total	



		Under RPS	Fertiliser Activity		
	Equity				
	Borrowings (Excluding Cash Credits)				
	6. Enclosures:- (A) Information in forms ACD-1 to ACD-10A are enclosed				
	(B) Audited Annual Accounts for the year including accounts of the unit are enclosed.				
	Certified that the above data has been verified with reference to the original records and found correct.				
	Signature :		Signature		
	Name :		Practising Chartered/		
	Designation:		Cost Accountants		
			Membership No. :		
	Unit :		Seal		

ACD-1

ANALYSIS OF FINANCIAL POSITION FOR THE YEAR ENDED 31ST MARCH.....							
Company :							
							(Rs/Lakh)
Sl. No.	PARTICULARS	Non-Fertiliser Activity		Fertiliser Activity		TOTAL	
		For the Year	Previous Year	For the Year	Previous Year	For the Year	Previous Year
A.SOURCES OF FINANCE							
1	Share Capital						
2	Reserves & Surplus						
3	Long Term Loans						
4	Deferred Payment credits						
5	Cash Credits						
TOTAL SOURCES							
B.APPLICATION OF FINANCE							
1	Gross fixed Assets						
2	Cumulative Depreciation						
3	Net fixed Assets						
4	Current Assets						
5	Current Liabilities						
6	Working Capital						



7	Investments						
8	Misc. Expenditure						
9	Capital Work-in-Progress						
	TOTAL APPLICATION						
C	Net Worth (A1+A2) (Equity+ Reserves)						
D	Capital Employed (B3+B6)						
Certified that the above data has been verified with reference to the original records and found correct.							
Signature :				Signature :			
				(Practising Chartered/Cost Accountant)			
				Name :			
Designation :				Membership No.:			
Company :				Seal :			
Unit :							

Form ACD -1A

GENERATION AND UTILISATION OF FUNDS FOR THE YEAR ENDING 31ST MARCH				
Company :				
		Fertiliser	Non- Fertiliser	Total
I	SOURCES OF FUNDS	Activity	Activity	
1	Profit before Tax			
	Less: Tax			
	Profit after Tax			
	Less : Dividend/Provisions			
	Retained earnings			
2	Depreciation for the year			
3	Borrowings.			
4	Share Capital Increase			
5	Opening Cash/Bank Balance.			
6	Total Funds Available			
II	UTILISATION OF FUNDS			
1	Capital Additions			
2	Pre-payment of loans			
3	Investments			
4	Increase in Working Capital			



5	Total Utilisation			
III	INCREASE(+)/DECREASE(-)			
	a Networth			
	b Borrowings			
	c Cash Credits			

Certified that the above data has been verified with reference to the original records and found correct.

Signature :		Signature :
		(Practising Chartered/Cost Accountant)
Designation :		Name :
Company :		Membership No.:
Unit :		Seal :

FORM : ACD -1B

COST CENTREWISE DISTRIBUTION OF GROSS BLOCK										
							YEAR :			
Company Name						UNIT:				
							(Rs./lakhs)			
							Ammonia	Non-	Total as	
Sl.	Particulars	Process	D.M.	Steam	Captive	Ammonia	Urea	Tank	fertilizer	per Final
No.	Name of Asset	Water	Water		Power			Wagons	activity	Account
I.	Land									
II.	Roads & Culverts									
III.	Buildings									
IV.	Plant and Machinery									
V.	Electrical Installation & Fittings									
VI.	Furniture & Fittings									
VII.	Other Assets									
	Total									
VIII.	Capital Additions during the year									



IX.	Less : Capital Deletion during the year									
X.	Net Capital additions during the year									
	Grand Total									

Certified that the above data has been verified with reference to the original records and found correct.

Signature :					Signature :				
					(Practicing Chartered/ Cost Accountant)				
Name :					Name :				
Designation :					Membership No. :				
Company :					Seal :				
Unit :									

FORM : ACD -1C

COST CENTRE WISE LIST OF CAPITAL ADDITIONS/DELETIONS MADE DURING THE YEAR									
Name of the Company			UNIT:			YEAR :			
(Rs.lakhs)									
Item of Asset	Processes	UTILITIES			INTER-MEDIAT Ammoni	FINISHED GOODS Urea	Non-fertilizer Activity	Total	Basis of Allocation
		D.M. Water	Steam	Captive Power					
ADDITIONS (Category/item wise)									
(Original Cost)									
Land									
Roads & Culverts									
Others(Please specify others)									
Buildings									



Plant and Machinery									
Urea plant (Please specify									
Ammonia plant (Please specify details)									
Power plant (Please specify details)									
Steam plant (Please specify details)									
Others ((Please specify details)									
Electrical Installation & Fittings									
Furniture & Fittings									
Other Assets									
Computers									
A.C.,Ref. & coolers									
Vehicles									
Other equipment -allocated									
Total additions									
DELETIONS (Category/itemwise)									
Land									
Roads & Culverts									
Buildings									
Plant and Machinery									
Electrical Installation & Fittings									
Furniture & Fittings									



Other Assets-Vehicles									
Other Equipment									
Total deletions									
Net Additions during the year									
Certified that the above data has been verified with reference to the original records and found correct.									
Signature :					Signature :				
					(Practicing Chartered/ Cost Accountant)				
Name :					Name :				
Designation :					Membership No. :				
Company :					Seal :				
Unit :									

Form: ACD-1D

Borrowings and Interest rates.							
Name of the Company :						Unit :	
S.No.	PARTICULARS	FOR THE COMPANY			For Fertilizer Unit		
		Outstanding Loan	Interest Rate %	Amount of Interest paid /provided	Outstanding Loan	Interest Rate %	Amount of Interest paid/ provided
1.	Long Term Loans.						
	a) Govt. of India.						
	b)						
	c)						
	d)						
	e)						
2.	Short Term Loans (Specify each lender-wise/ rate wise.	-					



3.	Deferred Credit (Specify each Source wise/ Rate wise)						
4.	Fixed Deposits.						
5.	Inter Corporate Deposits.						
	Cash Credit :						
6.	Pool Fertilisers:-						
	-Authorised Limits.						
	-Average Utilisation						
7.	Cash Credit :						
	Manufactured Fertiliser:-						
	-Authorised Limits.						
	-Average Utilisation						
8.	Others						
	TOTAL						
Certified that the above data has been verified with reference to the original records and found correct.							
Signature :				Signature :			
Designation :				Name :			
Company :				Membership No.:			
Unit :				Seal :			

- Note: (1) Details of each Long term/Short term cash credit loans outstanding as at the end of the year for the company as a whole as well as for the fertilizer unit may be given in this form,
- (2) For the fixed deposits with the company/fertiliser unit weighted average interest rate taking into account different types of deposits may be worked out.
- (3) Under company all the loan outstanding and details of interest rates may be given as at the end of the year, for the fertilizer activity, specific loans taken for the fertilizer units, shown in the books (or in the Head Office books) may be shown.



- (4) Total amount of interest as per P/L Account of the company /unit must be accounted in the analysis as per this proforma.
- (5) In case the unit has availed of rebates in rates of interest on account of prompt payment gross and net rates of interest in the relevant cases may be indicated.
- (6) Taking all the sources of borrowings weighted average interest rate also may be furnished for long term, short term, fixed deposits, inter-corporate deposits, deferred credit and cash credit separately.

Form ACD-2

Analysis of Operating Results for the year ended							
							(Rs.in lakh)
Name of the Company:		Unit:					
PARTICULARS	NON-FERTILISER ACTIVITY		FERTILISER ACTIVITY		Total		
	For the Year	Previous Year	For the Year	Previous Year	For the Year	Previous Year	
A. INCOME							
1 Sales							
2 Subsidy							
3 Other Income							
Total Income							
B. Cost of Sales							
Purchases							
Raw material consumed							
Power							
Electricity duty on power generated							
Fuel							
Water							
Packing material consumed							
Salaries & Wages							
Contract Labour							
Catalysts							
Chemicals & Consumables							
Repairs & Maintenance							
Insurance							
Overheads							
a) Admn. Overheads							
b) Factory Overheads							
c) Social Overheads							
(Accretion)/Decretion in Stock							
a) Finished Goods							
b) Work in Progress							
Minimum Bonus							



	Depreciation								
	Selling Expenses								
	Items not taken in Cost (Details enclosed)								
	Total Cost of Sales								
C.	Gross Profit								
D.	Interest								
E.	Pre-tax Profit								
F.	Provision for Taxation								
G.	Post tax Profit								
	Profitability Ratios:								
A	Gross Profit to Total Income %								
B	Pre-Tax Profit to Networth %								
C	Post-Tax Profit to Networth %								
D	Pre-Tax Profit to Capital Employed %								
Certified that the above data has been verified with reference correct.							to the original records and found		
Signature :									
							Signature :		
							(Practising Chartered/Cost Accountant)		
Name :							Name :		
Designation :							Membership No.:		
Company :							Seal :		

Notes: item such as demurrage, bad debts, provision for bad debts, loss/gain on sale of assets, premium on loss of profit insurance/income there from, foreign exchange fluctuation, excess of statutory bonus over minimum statutory bonus and ex-gratia, interest on long/short term loan not represented by tangible value of net fixed assets and working capital, stock loss/gain, transit losses, turn-over tax, incentive rebate, cash discount, unrecovered sales tax, standardization loss and prior period income/expenses, are not to be considered in costs.

ACD -2A

GROUPING AND COST CENTRE WISE ALLOCATION OF EXPENSES FOR THE YEAR ENDED -----												
NAME OF THE COMPANY:		UNIT:							(Rs. Lakh)			
Particulars	A	UTILITIES			C P D	Interme - Ammon	Finishe d goods Urea	Ammoni a Tank Wagon	Total Fert. Activity	Non- Fert. Activity	Total As per final Account s	Basis of Allocation
		Process Water	DM Water	Stea m								
Salaries & Wages												



	a) Basic Pay												
	b) Dearness Allowance												
	c) House Rent Allowance												
	d) City Compensatory Allowance												
	e) P.F. Contribution												
	TOTAL												
B	Contract Labour												
C	Chemicals & Consumables												
D	Catalysts												
E	Repair & Maintenance												
	a) Replacement of P&M												
	b) Repairs to Building												
	c) Contract Work (Specify major contracts)												
	d) Others(Specify major items)												
	TOTAL												
F	Factory Overheads												
a)	Pollution Control Expenses												
b)	Licence Fees												
c)	Inspection Fee												
d)	Misc expenses												
e)	Horticulture Expenses												
f)	Safety And Security Expenses												
	Inventory Loss- Spares At Plant												
	Total												
G	Fixed Transportation charges on Natural Gas												
H	Administrative Overheads												
1	Electricity Water And Power												
2	Travelling Expenses												



3	Printing And Stationary												
4	Lease Money/Rent And Taxes[Net]												
5	Communication Exp Postage Telegram Telephone												
6	Farmers Benefits And Publicity												
7	Director Fees												
8	Vehicle Running/Maintenance												
9	Audit Fees												
10	Entertainment Expenses												
11	Legal And Professional Charges												
12	Bank Charges And Guarantee Commission												
13	Local Conveyance												
14	Advertisement For Tender And Recruitment												
15	Escorts And Courier Services												
16	Books Newspapers And Periodicals												
17	Subscription And Membership Fees												
18	Out Of Pocket Expenses												
19	Licence Fees												
20	Edp Expenses												
21	Training Expenses												
22	Horticulture Expenses												
23	Safety And Security Expenses												
24	Award Money												
25	Misc. Expenses												
26	Guest House Expenses												
27	Honorarium												
28	Gift And Presentation												
29	Internal Meeting Expense /Refreshment to Staff												
30	Agm Expenses												
31	Scholarship And Fellowship												
32	Rounding Off Adjustment												
33	Sahakarita Awards												
34	Recruitment Expenses												
35	Iso 9000/14000 Expenses												
36	Commission & Brokerage Etc.												
37	Board/Committee Meeting Expenses												



38	Inspection Fees												
39	Purchase Tax												
	Total												
I	Social Overheads												
1	Washing Allowance												
2	Transport Allowance												
3	Night Shift Allowance												
4	Cash Allowance												
5	Overtime												
6	Productivity Linked Bonus												
7	Other Allowances												
8	Furnishing Allowance												
9	Exgratia Payment												
10	Compensation In Lieu Of Comp. Off												
11	Conveyance Allowance- Employees												
12	Pf Admn Charges												
13	Leave Salary And Pension Contribution												
14	Contribution To Group Gratuity Cum Life Insurance												
15	Medical Expenses												
16	Family Planning Expenses												
17	Ltc												
18	Children Transport Subsidy												
19	Recruitment Expenses Medical												
20	Liveries To Staff												
21	Hospital Supplies And Doctors Honorarium												
22	Canteen Subsidy												
23	Club House Expenses												
24	Cinema Shows And Sports												
25	Tuition Fees												
26	Celebration Expenses												
27	Production Gift												
28	Death Benevolent Fund												
29	Other Welfare Expenses												
30	Prmaempr Cont												
31	Project Allowance												
32	Cooperative Society Expenses												
33	School Expenses												
34	Long Service Award												
35	Payment To Gujarat Labour Welfare Fund												



h)	Office Expenses(Give details)																			
	TOTAL																			
N	Freight																			
O	Gross Block (as per Books)																			
P	Accumulated Depreciation (as per Books)																			
Q	Net Block (as per Books)																			
		Certified that the above data has been verified with reference to the original records and found correct.																		
Signature :										Signature:										
										(Practising Chartered/Cost Accountant)										
Name :										Name :										
Designation :										Membership No.:										
Company :										Seal:										

Note: 1) Classification of Expenditure names as shown in forms: ACD-2 should be Consistent with that shown in this form. Classification as given above should be consistent with other Forms also.

2) Details of Overheads should be given without clubbing various types of expenses under one head.

FORM: ACD-2B

Name of the Company:		Unit:	
(Process wise/ Element wise)			
Particulars	Quantity Actually Consumed Per Unit	Rate	Cost Per Unit



. Production Quantity			
1. Feed Stock (Specify)			
2. Fuel (Specify)			
3. Electricity			
4. Utilities (Specify)			
5. Intermediates (if applicable)		Rs. /Lakh	Rs./ Unit
6. Less By-Product Recovery (Specify)			
7. Bags			
8. Sub Total 1 To 7			
II. Conversion Cost			
i) Salaries & Wages			
ii) Contract Labour			
iii) Catalysts			
iv) Chemicals & Consumables			
v) Repairs & Maintenance			
vi) Insurance			
vii) Factory Overheads			
viii) Admn. Overheads			
ix) Social Overheads			
x) Less : Misc. Income (Other than item no. 6)			
xi) Total Conversion cost			
III. Bonus (Statutory Minimum)			
IV. Capital Related Charges			
i) Depreciation			
ii) Interest On Long Term Loans			
iii) Interest On Short Term Loans			
Sub Total			
Total Works Cost			
V. Selling Expenses (Excluding Freight)			
VI. Freight			
VII. Cost of Sales (Actual)			

Certified that the above data has been verified with reference to the original records and found correct.

Signature

Signature

Name

(Practicing Chartered/Cost Accountant)

Designation

Name

Company

Membership No.

Unit

Seal

Note: 1) Incidence of expenses / income on account of items not considered in cost will be shown as a separate item at the end.

2) Separate statements should be prepared for each of utilities intermediates and final products.

Form ACD 3

Actual Consum ^P tion of raw material, utilities and intermediates durin ^B the ^Y ear-								
Name of the Com ^P an ^Y :				UNIT:				
					Value: Rs/Lakh			
Sl.	Name	Unit	Opening Stock	Purchases/Produc tion	Consumption/Sa les	Closing Stock	Sp.cons. per	Weighted



9								
10								
11								
12								
		NON- UNIONISED						
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
		Non-Fertiliser Activity						
		Casual Labour						
		No. of Trainees						
		Total						
NOTE : OTHER ALLOWANCES (This is only Example)								
1	House Rent Allowance							



	Classification of cities & towns			Rate	
	(a) A-1			30% of Basic Pay	
	(b). A			25% of Basic Pay	
	(c), B-1 & B-2			15% of Basic Pay	
	(d) Other Places			10% of Basic Pay	
2	City Compensatory Allowance				
	Class of Cities	A-1 Class	A Class	B Class	C Class
	Basic pay per month	(Rupees per month)			
	For Workers:				
	Below Rs.				
	Above Rs.				
	For Officers:				
				[For workers]	[for officers]
3	Conveyance Allowance for official work:				
4	Transport Allowance				
5	Canteen Subsidy				
6	Washing Allowance				
7	Reimbursement of expenses for Newspapers & Magazines				
8	Education Allowance				
9	Leave Travel Concession (LTC)/				
	Encashment				
10	Shift Allowance				
Signature :				Signature :	
				(Practicing Chartered/Cost Accountant)	
				Name :	
Designation :				Membership No.:	



Company :			Seal :
-----------	--	--	--------

Form : ACD-4A

Year:								
	Pay Scales	No. Of Employees	Basic Pay	D.A	HRA	CCA	PF	Total
I.	Fertiliser Activity							
	a) Manufacturing (As per Annexure___)							
	b) Administration (As per Annexure)							
	c) Marketing (As per Annexure)							
	Total Fertiliser Activity							
II.	Non-Fertiliser Activity							
	a) Manufacturing							
	b) Marketing							
	Total							
	Other Allowances (for example):				Fertiliser	Non-Fertiliser		
	(to be grouped under Social Overheads)				Activity	Activity		Total
	Social Overheads (for example)							
1	Overtime							
2	Productivity Linked Bonus							
3	Conveyance Allowance- Employees							
4	Pf Admn Charges							
5	Medical Expenses							
6	Shift Allowances							
7	Gratuity Paid							
8	Special Pay							
9	Family Pension Fund Contribution							
10	Children Education Allowance							



		Water			power	Ammonia	Urea	Activity	
1	2002-2003								
2	2003-2004								
3	2004-2005								
4	2005-2006								
5	2006-2007								
Three yearly moving average									
	2003-2004								
	2004-2005								
	2005-2006								
(B)	Cost centrewise and item wise details of Repairs and Maint. of replacement items costing more than Rs. 10 lakhs. should be furnished in the above proforma duly certified in respect of last three years.								
Certified that the above data has been verified with reference to the original records and found correct.									
Signature :					Signature :				
					(Practising Chartered/Cost Accountant)				
Name :					Name :				
Designation :					Membership No. :				
Company :					Seal :				
Unit :									

Form ACD-9

DETAILS OF INSURANCE POLICIES TAKEN												
Name of the Company :						UNIT :			Year :			
Sr. No.	PARTICULARS	Policy No.& Date	Name of Insurance Company	Period Covered	ITEMS INSURED	Book Gross	Value Net	Sum Insured (Rs./Cr.)	Rate of Premium (%)	Premium Paid (Rs./lacs)	Amount recd. from Insurance Co.	If insured value is more than
1	2	3	4	5	6	7	8	9	10	11	12	13



Unit :	Seal :
--------	--------

FORM : ACD-10 A

Details of warehousing charges				
Name Of The Company:		Unit:		YEAR :
State	Qty. handled (in M.T.s)	Type of Warehouse	Storage rate (Rs./pmt) (Less rebate)	Total incidence (Rs in lac)
Weighted Average Rate				
Note: Schedules of Rates, conditions etc. should be enclosed				
Certified that the above data has been verified with reference to the records and found correct.				
Signature :		Signature :		
Name :		(Practising Chartered/Cost Accountant)		
Designation :		Name :		
Company:		Membership No. :		
Unit:		Seal :		

19.2 The FICC has revised the proformae for submission of quarterly escalation/de-escalation claim as per following circular:

**FERTILIZER INDUSTRY COORDINATION COMMITTEE
(DEPARTMENT OF FERTILIZERS)**

8th Floor, Sewa Bhawan,
R.K. Puram, New Delhi-110 066
27th June 2003

The Chairman & Managing Director

xxxxxxx

xxxxxxx

Sub: Revised proformae for submission of quarterly escalation/de-escalation claim of variable inputs under new pricing policy for urea units

Sir,

Consequent upon the issue of government of India, Ministry of Chemicals and Fertilizers (Department of Fertilizers)'s letter no. 120 19/5/98-FPP dated 30th January 2003 regarding new pricing policy for urea units effective from 1st April 2003, it has become necessary to revise the existing proformae for submission of escalation/de-escalation claims as per the parameters and guidelines of the new policy.

2. The revised proformae No. ESC/GC/1 to ESC/GC/1 1 are enclosed herewith for submission of escalation/de-escalation claims



of variable inputs and the same must be furnished to the office of FICC w.e.f. 1st April 2003 on quarterly basis. The proformae are applicable for Stage-1 of group concession scheme. Changes in the proformae, if any, for Stage-II shall be communicated in due course.

3. The revised proformae being common to all fertilizer units, irrespective of the feed stock difference, are being circulated to all the units. However, some of them may not be applicable to a particular unit. Therefore, the unit need not fill any such proformae not applicable to them.

Yours Faithfully,

(B.B. Goyal)
Director (CE)

Though FICC has frozen the fixed cost payable to the urea manufacturing units, yet any escalation/de-escalation in the cost of energy is considered by FICC. All the urea producing units are required to submit quarterly escalation claims in order to claim the increase in price of inputs. Reduction in the variable costs, if any are to be refunded by the units to FICC. At the end of the financial year, an Annual Escalation/De-escalation claim is also to be submitted by the units duly certified by a Cost/Chartered Accountant in the forms ESC/GC-1 to ESC/GC-11 along with a summary as per ESC/GC/SUMM.

Form No. : ESC/GC/SUMM

SUMMARY OF QUARTERLY ESCALATION CLAIM AND SUBSTITUTION DATA IN RESPECT OF UREA										
Name of Company:						Unit:				
Quarter ending:										
Product:										
S.No.	Item	Reference of Form No	Current Price	Revised Price	Variation (4-5)	Cons. Norms	Incidence (Rs./MT)	Rate of concession (Rs./MT)	Despatches of Products (MT)	Financial Impact (Rs./Cr.) (8*10)
1	2	3	4	5	6	7	8	9	10	11
A)	Escalations									
1	Energy	ESC/GC/4								
2	Sales Tax	ESC/GC/1								
3	Water	ESC/GC/10								
4	Other (specify)									
	Total claim For the Quarter (A)									
B)	Existing Concession rate									



C)	Revised Concession Rate								
Name					Signature				
Designation					Practicing Chartered/Cost Accountant				
Company					Membership No.				
Unit					Seal				

Form No. : ESC/GC/1

NAME OF THE COMPANY:					UNIT:				
QUARTER ENDING:									
COMPUTATION OF ALLOWABLE SALES TAX REIMBURSEMENT									
Sr. No.	Input	Source	Quantity		Price Eligible for Sales Tax (Rs./Unit)	Allowable Sales Tax Rate (%)	Sales Tax (Rs./Unit)	Specific Consumption per MT Urea	Impact (Rs/MT urea)
			KL	MT					
	1	2	3		4	5	6 = 5 X 4	7	8 = 7 X 6
1	A	Opening Stock							
		Receipt							
		Sub Total/ Wtd. Avg							
B		Opening							
		Receipt							
		Sub Total/ Wtd. Avg							
		Grand Total (Allowable Sales Tax Reimbursement)							
		Signature :			SIGNATURE				
		Name :			PRACTICING CHARTERED/COST ACCOUNTANT				
		Designation:			MEMBERSHIP NO.				
		Company :			SEAL				
		Unit:							

Form No. : ESC/GC/2

Specific Consumption of Inputs for Computing allowable Sales Tax on Urea



NAME OF THE COMPANY:					UNIT:
QUARTER ENDING:					
Item	Units	Total Normative Energy (Gcal)	Calorific Value (Kcal/unit)	Quantity (5 = 3/4)	Specific Consumption per MT Urea (6 = 5 / Production)
1	2	3	4	5	6
Production	MT				
Inputs... 1					
Inputs...2					
Inputs...3					
Inputs... 4					
Inputs... 5					
Inputs... 6					
TOTAL					
Signature			Signature		
Name			Practicing Chartered/Cost Accountant		
Designation			Membership No.		
Company			Seal		
Unit					

Form No. : ESC/GC/3

NAME OF THE COMPANY:					UNIT:						
QUARTER ENDING:											
Details of Sales Tax Rates on Inputs on Urea (Weighted Average based on quantity)											
Sr. No.	Input	Source	Quantity	Sales Tax Amount	Surcharge	Entry Tax	T.O.T.	Others	Effective Sales Tax Rate %	Effective Sales Tax as on 01.04.02 %	Allowable Sales Tax Rate (%)
			KL MT	Rs.							
	1	2	3	4	5	6	7	8	9	10	11
1	Input.. 1	Opening Stock									
		Receipt									
		Sub Total/Wtd. Avg									
2	Input..2	Opening									



		Receipt										
		Sub Total/Wtd. Avg										
Signature						Signature						
Name						Practicing Chartered/Cost Accountant						
Designation						Membership No.						
Company						Seal						
Unit												

Form No. : ESC/GC/4**ESCALATION ALLOWABLE EFFECTIVE RATE OF ENERGY**

NAME OF THE COMPANY:						UNIT:					
QUARTER ENDING:											
S.No.	Item	Unit	Consumable energy	Non Substitute- able energy	Total energy						
1	2	3	4	5	6						
1	Production	MT									
2	Energy Norm	Gcal/MT									
3	Allowable Energy (1x2)	Gcal									
4	Actual Consumption of Fuels										
4a.	Saving in Energy	Kg									
4b.	Naptha	Kg									
4c.	Fuel Oil (FS)	Kg									
4c1.	Fuel Oil (OFS)	Kg									
4d.	LSHS (FS)	Kg									
4d1.	LSHS (OFS)	Kg									
4e.	Coal	Kg									
4f.	HSD	Kg									
4g.	Power Purchased	KWH									
5	Calorofic value of Fuels										
5a.	Saving in Energy (Mixed)	Kcal/Kg									
5b.	Naptha	Kcal/Kg									
5c.	Fuel Oil (FS)	Kcal/Kg									
5c1.	Fuel Oil (OFS)	Kcal/Kg									
5d.	LSHS (FS)	Kcal/Kg									
5d1.	LSHS (OFS)	Kcal/Kg									
5e.	Coal	Kcal/Kg									
5f.	HSD	Kcal/Unit									
5g.	Power Purchased	Kcal/KWH									
6	Actual Energy Consumption										
6a.	Saving in Energy(4ax5a)	Gcal									
6b.	Naptha(4bx5b)	Gcal									
6c.	Fuel Oil (FS)(4cx5c)	Gcal									
6c1.	Fuel Oil (OFS)(4c1x5c1)	Gcal									



6d.	LSHS (FS) (4dx5d)	Gcal			
6d1.	LSHS(OFS) (4d1x5d1)	Gcal			
6e.	Coal (4ex5e)	Gcal			
6f.	HSD(4fx5f)	Gcal			
6g.	Power Purchased	Gcal			
6h.	Total	Gcal			
7	Normative Energy from Various Fuels				
7a.	Saving in Energy	Gcal	Minimum of 6a and (3/6hx6a)		
7b.	Naptha	Gcal	Minimum of 6b and (3/6hx6b)		
7c.	Fuel Oil (FS)	Gcal	Minimum of 6c and (3/6hx6c)		
7c1.	Fuel Oil (OFS)	Gcal	Minimum of 6c1 and (3/6hx6c1)		
7d.	LSHS (FS)	Gcal	Minimum of 6d and (3/6hx6d)		
7d1.	LSHS (OFS)	Gcal	Minimum of 6d1 and (3/6hx6d1)		
7e.	Coal	Gcal	Minimum of 6e and (3/6hx6e)		
7f.	HSD	Gcal	Minimum of 6f and (3/6hx6f)		
7g.	Power Purchased	Gcal	Minimum of 6g and (3/6hx6g)		
7h.	Total	Gcal			
8	Actual Rates				
8a.	Basic Price of Mix Energy saving	Rs./Unit			
8b.	Naptha	Rs./MT			
8c.	Fuel Oil (FS)	Rs./MT			
8c1.	Fuel Oil (OFS)	Rs./MT			
8d.	LSHS(FS)	Rs./MT			
8d1.	LSHS(OFS) (4dx5d)	Rs./MT			
8e.	Coal	Rs./MT			
8f.	HSD	Rs./MT			
8g.	Power Purchased	Rs./MWH			
	Weighted average basic rate for all inputs for saving				
9	Effective Rate of Energy				
9a.	Saving in energy $(8a \times 5a \times 1000) \times (7a/7h)$	Rs./Gcal			
9b.	Naptha $(8b/5b \times 1000) \times (7b/7h)$	Rs./Gcal			
9c.	Fuel Oil (FS) $(8c/5c \times 1000) \times (7c/7h)$	Rs./Gcal			
9c1.	Fuel Oil(OFS) $(8c1/5c1 \times 1000) \times (7c1/7h)$	Rs./Gcal			
9d.	LSHS(FS) $(8d/5d \times 1000) \times (7d/7h)$	Rs./Gcal			
9d1.	LSHS(OFS) $(8d1/5d1 \times 1000) \times (7d1/7h)$	Rs./Gcal			
9e.	Coal $(8e/5e \times 1000) \times (7e/7h)$	Rs./Gcal			
9f.	HSD $(8f/5f \times 1000) \times (7f/7h)$	Rs./Gcal			
9g.	Power Purchased $(8g/5g \times 1000) \times (7g/7h)$	Rs./Gcal			
9h.	Total	Rs./Gcal			
	Signature		Signature		



Name	Practicing Chartered/Cost Accountant
Designation	Membership No.
Company	Seal
Unit	

FORM ESC/GC/5

NAME OF THE COMPANY :		UNIT:												
PERIOD:														
PRODUCT:														
S. No.	Particulars	m.1	m.2	m.3	m.4	m.5	m.6	m.7	m.8	m.9	m.10	m.11	m.12	Weighted Average
I	Gas Receipt	Sm ³												
II	Calorific Value (Kcal/sm ³)	Kcal/S m												
III	Price Breakup:													
1	Basic Price	Rs./000s m ³												
2	Royalty @	Rs./000s m ³												
3		Rs./000s m ³												
4		Rs./000s m ³												
5	Sub Total (1 to 4)	Rs./000s m ³												
6	Transmission Charges	Rs./000s m ³												
7	Total incl. Transmission Charges (5+6)	Rs./000s m ³												
8	Less: Rebate/Prem. based on Actual CV	Rs./000s m ³												
a	Basic Price	Rs./000s m ³												
b	Royalty	Rs./000s m ³												
c	Gas Pool Charges	Rs./000s m ³												
d	Gujarat Sales Tax	Rs./000s m ³												
	Sub Total (a to d)	Rs./000s m ³												
e	Transmission Charges	Rs./000s m ³												



	Total Rebates/Premium (a to e)	Rs./000s m ³																	
9	a) Service Tax	Rs./000s m ³																	
	b) Education Cess	Rs./000s m ³																	
	c) Higher Education Cess	Rs./000s m ³																	
10	Service Charges	Rs./000s m ³																	
	a) Service Tax	Rs./000s m ³																	
	b) Education Cess	Rs./000s m ³																	
	c) Higher Education	Rs./000s m ³																	
11	Net Gross Price (7-8+9+10)	Rs./000s																	
12	Entry Tax	Rs./000s m ³																	
13	Net Gross Price after Entry Tax (11+12)	Rs./000s m³																	
14	Local Sales Tax / VAT	Rs./000s m ³																	
15	Grand Total (13+14)	Rs./000s																	
	Bill Value (Rs.)	Rs.																	
Basic Price Elements [5-8(a)-8(b)-8(c) -8(d)]+10																			
Transportation Charges (6+8e+9)																			
Sales Tax Elements [12+14]																			
Total Price [15] (Including Sales Tax)																			
Effective Rate of Taxes																			
Certified that the above Claim has been verified from the original records and found correct.																			
Authorised Signatory										Seal/Signature									
										Practicing chartered/cost accountant									

Form No. : ESC/GC/6

PRICE BREAK-UP OF INDIGENEOUS INPUTS (PETROLEUM PRODUCT) IN THE MANUFACTURE OF UREA

NAME OF THE COMPANY:

UNIT:

QUARTER ENDING:

NAME OF INPUT:



S. No.	Source of Supply	Purchase Invoice & Date	Unit of Measure	Purchased (Qt ^y .) KL	Purchased (Qt ^y .) MT	Calorific Value Kg/cal	Ex-Refinery Price (Rs.)	Discount/Rebate (Cr. TVA) (Rs.)	Excise duty (Rs.)	Freight (Rs.)	Handling Charges (Rs.)	Total excluding Sales Tax (Col 7-Col8 + Col.9 to 11) (Rs.)	Sales Tax (Rs.)	Total incl. Sales Tax (Col 12 to 13) (Rs.)	Rate/Unit (Rs. P)/KL.) 12/5
1	2	3	4	5		6	7	8	9	10	11	12	13	14	15
A SUB TOTAL															
	Rate per unit		MT												
B	Add: Opening Stock														
	Rate per unit		MT												
C Grand Total															
	Rate per unit		MT												
D Less: Closing Stock															
	Rate per unit		MT												
E Consumption															
F Weighted Average Rate															
			MT												
H Total Consumption															
I	Weighted Average Rate		MT												
	Earlier Rate														
	Variation (+)														
	(-)														

Certified that above claim has been verified from the original records and found correct.

Signature	Signature
Name	Practicing Chartered/Cost Accountant
Designation	Membership No.
Company	Seal
Unit	



Form No. : ESC/GC/7V

PRICE BREAK-UP OF IMPORTED INPUTS (PETROLEUM PRODUCT) IN THE MANUFACTURE OF UREA														
NAME OF THE COMPANY:										UNIT:				
QUARTER ENDING:														
NAME OF INPUT:														
S. No.	Source of Supply	Purchase Invoice & Date	Unit of Measure	Purchased (Qt ^y .) KL	Purchased (Qt ^y .) MT	Calorific Value K ^g /cal	Ex-Refiner price (Rs.)	Discount/Rebate (Cr.TVA) (Rs.)	Excise duty (Rs.)	Freight (Rs.)	Handling Charges (Rs.)	Total excluding Sales Tax (Col 7-Col8 + Col.9 to 11)	Sales Tax (Rs.)	Total including Sales Tax (Col 12 to 13) (Rs.)
1	2	3	4	5		6	7	8	9	10	11	12	13	14
A SUB TOTAL														
	Rate per unit		MT											
B Add: Opening Stock														
	Rate per unit		MT											
C Grand Total														
	Rate per unit		MT											
D Less: Closing Stock														
	Rate per unit		MT											
E Consumption														
F Weighted Average Rate														
H Total Consumption														
I Weighted Average Rate														
Earlier Rate														
Variation (+)														
(-)														
Certified that above claim has been verified from the original records and found correct.														
Signature										Signature				
Name										Practicing Chartered/Cost Accountant				
Designation										Membership No.				
Company										Seal				



Form No. : ESC/GC/7V

PRICE BREAK-UP OF IMPORTED INPUTS (PETROLEUM PRODUCT) IN THE MANUFACTURE OF UREA														
NAME OF THE COMPANY:							UNIT:							
QUARTER ENDING:														
NAME OF INPUT:														
S. No.	Source of Supply	Purchase Invoice & Date	Unit of Measure	Purchased (Qt ^y .) KL	Purchased (Qt ^y .) MT	Calorific Value K ^g /cal	Ex-Refiner ^y Price (Rs.)	Discount/Rebate (Cr. TVA) (Rs.)	Excise duty (Rs.)	Freight (Rs.)	Handling Char ^g es (Rs.)	Total excluding Sales Tax (Col 7-Col8 + Col.9 to 11) (Rs.)	Sales Tax (Rs.)	Total including Sales Tax (Col 12 to 13) (Rs.)
1	2	3	4	5		6	7	8	9	10	11	12	13	14
A	SUB TOTAL													
	Rate per unit		MT											
B	Add: Opening Stock													
	Rate per unit		MT											
C	Grand Total													
	Rate per unit		MT											
D	Less: Closing Stock													
	Rate per unit		MT											
E	Consumption													
F	Weighted Average Rate		MT											
H	Total Consumption													
I	Weighted Average Rate		MT											
	Earlier Rate													
	Variation (+)													
	(-)													
Certified that above claim has been verified from the original records and found correct.														
Signature								Signature						
Name								Practicing Chartered/Cost Accountant						
Designation								Membership No.						
Company								Seal						

FORM NO. ESC/GC/8

NAME OF THE COMPANY:							UNIT:							
NAME OF INPUT														



QTR. ENDING																									
(1) BREAKUP OF INDIGENOUS COAL PRICES (GRADE-WISE)																									
S. No	Particulars	Gr. of Coal	Source of Supply	Distance of Colliery from Unit	Total Qty Purchased	NCV	Basic Price	Beneficiation/Breaking Charges	Royalty	Cess charges	Stowing Ex. Duty	Surface Tptn. Charges	MAD Tax	Other Charges	Freight	Busy Season Surcharge On Freight	Development Surcharge	Under Loading Charges	Handling Charges	Total Price Excl. C.S.T. (Col. 7 to 17)	C.S.T. (Col. 18 to 19)	Total Incl. C.S.T. (Col. 18 to 19)	Rate per Unit M S.T. (Col. 20 /6)	SRV/CLAI NO	
				(KM)	(MT)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)		
1	2	3	4	5	6	7	7(a)	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23		
			Total Receipt	-																					
			Rate Per Unit																						
			Add: Opening stock																						
			Rate per unit																						
			Total																						
			Rate per unit																						
			Less: Closing stock																						
			Rate per unit																						
			Consumption																						
			Rate per unit																						
(2) Computation of effective Calorific Value of Indian Coal.																									
					S. No.	Particulars	Grade																		
					1																				
					2																				
					3																				
					4																				
						Total																			
						Total receipt of coal																			
						Kcal/Qtr. Wt. Average																			



			Relative efficiency factor		
			Effective Calorific Value		

Certified that above claim has been verified from the original records and found correct.	
NCV of coal is as per Unit's Lab Analysis	
Signature	Signature
Name	Practicing Chartered/Cost Accountant
Designation	Membership No.
Name of the Company	Seal
Unit	

FORM NO. ESC/GC/9

NAME OF THE COMPANY:													UNIT:												
NAME OF INPUT																									
QTR. ENDING																									
(1) BREAKUP OF IMPORTED COAL PRICES (GRADE-WISE)																									
S. No	Particulars	Gr. of Coal	Source of Supply	Distance of Colliery from Unit	Total Qty. Purchased	NCV	Basic Price	Beneficiation/Breaking Charges	Royalty	Cess charges	Showing Ex. Duty	Surface Tptn. Charges	MA DA Tax	Other Charges	Freight	Bus y Season Surcharge on Freight	Development Surcharge	Under Loading Charges	Handling Charges	Total Price Excl. C.S.T. (Col. 7 to 17)	C. S. T.	Total Incl. C.S.T. (Col.18 to 19)	Rate per Unit / C.I. M.N.O. (Col. 20 /6)	S	
				(KM)	(MT)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
1	2	3	4	5	6	7	7(a)	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
			Total Receipt																						
			Rate Per Unit																						
			Add: Opening stock																						
			Rate per unit																						
			Total																						
			Rate per unit																						
			Less: Closing stock																						
			Rate per unit																						



2																		
3																		
A	TOTAL																	
B	Weighted Average Rate																	
C	Weighted Average Rate																	
Certified that above claim has been verified from the original records and found correct.																		
Signature										Signature								
Name										Practicing Chartered/Cost Accountant								
Designation										Membership No.								
										Seal								

Form No. : ESC/GC/11

DETAILS OF MONTHLY PRODUCTION/DESPATCHES AND CAPACITY UTILISATION																			
Name of the Company:																	Unit:		
Period ending																			
S r. N o.	MON TH	Instaled Capacity					Open ing Stock	Production			Monthl y Capacit y Utilisa tion	Cumula tive Capacit y Utilisa tion	Despatches for Agriculture Use - ECA		Despatches for Agriculture Use - Non ECA		Despatches for non - Agriculture Use		Closing Stock
		Capac ity	Oper ated Stream Days - Month	Monthl y Capac ity	Oper ated Stream Days - Cumulativ e	Cumul ative Capac ity		Month	Month	Cumul ative			Month	Cumul ative	Month	Cumul ative	Month	Cumul ative	
		(MTPD)	MT		MT	MT	MT	MT	MT	%	%	MT	MT	MT	MT	MT	MT	MT	
1	2	3	4	5 = 4X3	6	7 = 6X3	8	9	10	11 = 9 / 5	12 = 10 / 7	13	14	15	16	17	18	19	



Chapter-20

National Pharmaceutical Pricing Authority (NPPA)

National Pharmaceutical Pricing Authority (NPPA) comes under the Ministry of Chemicals and Fertilizers, Department of Pharmaceuticals. National Pharmaceutical Pricing Authority (NPPA) is an organization established by the Government of India to fix/ revise the prices of controlled bulk drugs and formulations and to enforce prices and availability of the medicines in the country, under the Drugs (Prices Control) Order, 1995.

- (1) The organization is also entrusted with the task of recovering amounts overcharged by manufacturers for the controlled drugs from the consumers.
- (2) It also monitors the prices of decontrolled drugs in order to keep them at reasonable levels.

Drugs (Prices Control) Order, 1995.

Drugs (Prices Control) Order, 1995 was implemented by repealing the Drugs (Prices Control) Order, 1987. Drugs (Prices Control) Order, 1995 was issued by Government of India on 6th January 1995 under the Essential Commodities Act, 1955. The Drugs Prices Control Order, 1995 provides for the list of price controlled drugs, procedures for fixation of prices of drugs, method of implementation of prices fixed by Govt., penalties for contravention of provisions etc. For the purpose of implementing provisions of DPCO, powers of Govt. have been vested in NPPA.

Cost Accountants are authorised to certify various Forms as mentioned in the **SECOND SCHEDULE** of Drugs (Prices Control) Order, 1995 as under:

THE SECOND SCHEDULE

FORMS

FORM I

(To be submitted in Duplicate)

[See Paragraphs 2, 3 and 4]

Form of information/application for fixation or revision of prices of Scheduled bulk drugs.

1. Name of the Bulk Drug.
2. Name of the manufacturer.
3. Address of the Registered/Head Office of the Manufacturer.
4. Address of the Factory.
5. Capacity under Industrial Licence/Small Scale Industry Registration/Industrial Entrepreneur Memorandum acknowledgement: -
 - (a) No. and date of Industrial Licence/Small Scale Industry Registration/Industrial Entrepreneur Memorandum acknowledgement;
 - (b) Production Capacity (Tonnes/Kgs./Litres etc.).
6. Installed Capacity:-
 - (a) Number of shifts per day;
 - (b) Number of operating days per year;
 - (c) Maximum production per shift (Tonnes/Kgs./Litres etc.);
 - (d) Date of commissioning;
 - (e) Annual installed capacity.



7. Date of Commencement of Commercial Production.
8. Actual production achieved during the last accounting year (preferably monthwise) and also monthly production during the current year (Tonnes/Kgs/Litres etc.).
9. Brief note on the manufacturing process adopted by you indicating all stages including recovery of by-products, if any, solvents etc. and stagewise overall yield for each bulk drug.
10. Average hourly rate of production for each of the bulk drug since the commencement of the commercial production.
11. Maximum hourly rate of production achievable.
12. Estimated production of the bulk drug during the next three years.
13. If the production is proposed to be captively consumed for manufacturer of the formulation, please furnish the quantity to be so consumed out of the production given against Serial No.8 and Serial No.12.
14. Capital employed for the manufacture of the bulk drug(s):-
 - Net fixed assets;
 - Working Capital;Total:
15. Please state how the above capital employed is financed by net worth and borrowings.
(In the case of multi-purpose plant the capital employed/net worth as above and the share to be allocated to the bulk drug/intermediate under consideration to be given.)
16. Please state the average rate of interest paid by you on your borrowings, supported by figures of the amount of loans, average rate of interest etc. as per latest audited Balance Sheet.
17. Please furnish latest c.i.f price of the bulk drug if the same had been imported or is being imported by you or by any other agency known to you.
18. Please furnish the cost of production of the bulk drug as per Annexure to this Form duly certified by a Practicing Cost Accountant/Chartered Accountant.
19. Please furnish number of persons employed/to be employed, gradewise, and their average monthly emoluments including contribution on account of Provident Fund etc.
20. Please furnish the total amount of expenses under each of the element of other conversion costs viz. stores, factory and administration overheads and depreciation and the basis adopted for allocation to the product in question.
21. If this item is manufactured/to be manufactured in a multi-product plant, the method adopted for allocations to individual drugs for common expenses viz. process hours, equipment hours etc. may be furnished.
22. Please also furnish the following:-
 - The types of packing materials used and their average rates;
 - Basis and calculations of profit margin;
 - Photocopies of invoices of raw materials having substantial consumption and also for power, fuel etc.;
 - Details of the fixed assets, method of depreciation, rate of depreciation alongwith, working capital required for the product;
 - A copy each of Audit & Balance Sheet and Profit & Loss Account for the last three years and in the case of a company copies of the latest Cost Audit Report & Annual Report.



Notes :

1. Any hold up affecting production to be shown clearly against Serial No.8.
2. In case the same plant facilities are used for production of more than one product, the information as per serial No.6 may be given product wise.

Annexure

(See Item No. 18 of the Form I of the First Schedule)

- I. Name of the Bulk Drug.
- II.
 - (a) Production in Tonnes/Kgs. /litres etc.
 - (b) Sales In Tonnes/Kgs./litres etc.
 - (c) Despatches In Tonnes/Kgs. /litres etc.
- III. Details of
 - Cost:
 - (a) Period;
 - (b) Cost
 - Data:

Sl. No.	Particulars	Norms of Consumption guaranteed by the know how Supplier or as per standards developed	unit	Actual Consumption (Per kg/Lit etc. of the product)		
				Quantity	Rate/Unit (Rs.)	Amount (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)

1. Raw Materials :-
 - (a) Imported
 - 1.
 - 2.
 3. etc.
 - (b) Indigenous
 - 1.
 - 2.
 3. etc.

Total raw materials cost:
 Less Recoveries of Solvents:
 Net Raw Materials Cost :
2. Utilities:-
 - (a) Power
 - (b) Water
 - (c) Fuel (Oil/Coal)
 - (d) Others (To be specified)

Total Utilities Cost.



3. Conversion Cost:-
 - (a) Salaries and wages
 - (b) Operating supplies or consumable stores
 - (c) Repairs and Maintenance
 - (d) Quality Assurance
 - (e) Effluent treatment Other factory overheads
 - (f) Administration overheads
 - (g) Research and Development expenses
 - (h) DepreciationTotal Conversion Cost.
4. Cost of production (1+2+3).
5. Interest on borrowings.
6. Minimum Bonus.
7. Total (4+5+6).
8. Packing:-
 - (a) Materials
 - (b) Other expensesTotal Packing Cost
9. Selling Expenses.
10. Transport Charges.
11. Transit Insurance Charges.
12. Non-Recoverable Taxes.
(Please specify and submit details alongwith supporting documents.)
13. Total cost of sales.
14. Profit Margin.
(Basis of calculations be submitted)
15. Selling Price (13+14)
16. Place notified by the Government, if any. (Please give No. and date of Notification)
17. Actual sale price, or Notional price, if used captively.

NOTES: -

1. Items of expenses to be excluded from costs
 - (i) Bonus in excess of statutory minimum,
 - (ii) Bad debts and Provisions
 - (iii) Donations and charities
 - (iv) Loss/Gain on sale of assets
 - (v) Brokerage and commission
 - (vi) Expenses not recognised by Income Tax authorities (Salary, perquisites, advertisements etc.)



- (vii) Adjustments relating to previous years.
2. In the case of imported raw materials, please furnish separately the c. i. f. price, duty of customs and other charges totalling to the landed cost adopted against 8. No. 1 (a).
 3. Cost of intermediates Manufactured for captive use should be on the basis of factory cost of production inclusive of administration overheads and shown separately against 8. No. 1(b). A separate cost-sheet in the same proforma may please be appended.
 4. Cost of generated utilities like power, steam etc. should be separately given furnishing the details of purchased utilities consumed, rate and cost with other expenses incurred on generation with reference to S. No. 2.
 5. Details in respect of factory overheads, administration overheads and selling expenses should be furnished against S.No. 3(d), 3(e) and 8.
 6. The basis of depreciation adopted in your financial accounts may please be given against S. No. 3(f).
 7. Please indicate clearly whether the existing price is notified by the Government or notional price against S. No. 16 and 17.
 8. **The information furnished in this form is to be certified by the Authorised Signatory of the Company and by the cost accountant/chartered accountant.**

The information furnished above is correct and true to the best of my knowledge and belief.

Authorised Signatory:

Name :

Place :

Date :

Designation :

FORM II

(To be submitted in duplicate)

(See Paragraphs 2 and 5)

Form of information in respect of price of non-Scheduled bulk drugs.

1. Name of the bulk drug.
2. Name of the manufacturer.
3. Address of the Registered/Head Office of the Manufacturer.
4. Address of the Factory.
5. Capacity under Industrial Licence/Small Scale Industry Registration/Industrial Entrepreneur Memorandum acknowledgement;
 - Number and date of Industrial Licence/Small Scale Industry Registration/Industrial Entrepreneur Memorandum acknowledgement;
 - Production Capacity (Tonnes/Kgs./Litres etc.).
6. Annual Installed Capacity.
7. Date of commencement of commercial production.
8. Actual production achieved during the last accounting year/current year (Tonnes/Kgs./Litres etc.).
9. Brief note on the manufacturing process.



10. Estimated production of the bulk drug for next three years.
11. If the production is proposed to be captively consumed for manufacture of formulation, please furnish the quantity to be so consumed out of the production given against S1. NO. 8 and 10.
12. Please furnish latest c.i.f price of the bulk drug if the same had been imported or is being imported by you or any agency known to you.
13. Please furnish the cost of production of the bulk drug as under: -
 - Name of the Bulk Drug.
 - Period.
 - Major Raw Materials :-
 1. Name;
 2. Quantity consumed per Kg. of Product;
 3. Cost per Kg. of Product;
 - 4.
 - Total Raw Material Cost.
 - Cost of production
 - Cost of Sales
 - Profit Margin
 - Selling Price (VI+VII).
 - Existing price with effective date
14. Please furnish a copy each of the audited Balance Sheet, Profit and Loss Account for the last three years and the latest Cost Audit Report and Annual Report.

NOTE : The information furnished in this form is to be certified by the authorised signatory of the company and by the cost accountant/chartered accountant.

The information furnished above is correct and true to the best of my knowledge and belief

Place :
Date :

Authorised Signatory :
Name :
Designation :

FORM III

(To be submitted in seven copies)
(See paragraphs 2, 8, 9 and 10)

Form of Application for approval or revision of price of Scheduled formulations.

1. Name of the Formulation.
2. Name of the Manufacturer.
3. Address of Registered/Head Office/ Administrative Office.
4. Address of the Factory.
5. Composition as per label claim and approved by Drug Control Authorities.



6. Drug Control Authority Permission Number and Date (copy to be enclosed).
7. Number and date of Industrial Licence/Small Scale Industry Registration/ Industrial Entrepreneur Memorandum acknowledgement (copy to be enclosed).
8. Date of Commencement of Production.
9. Type of formulation: -
 - Type [Plain/ Coated Tablets, Multi-layered sustained release/ Soft/ Hard/ Printed capsules (without/ with/ sealing band) / sterile/ non-sterile Liquid/ Powder/ Ointment/ Cream etc.];
 - In case of Tablets please furnish average weight of 100 Tablets;
 - In case of Capsules please furnish size of capsule.
10. Type of packing [Aluminium/ Paper/ Cellophane/ Strips/ Blister/ Vials/ Ampoules/ White Colour Bottles/ Tins/ Jars/ with/ without dropper/ cutting blades/ catch cover etc.].
11. Size of packs [10's/ 100's/ etc; 1ml/ 2ml/ 10 ml/ etc.; 5 gms/ 10 gms/ etc.],.
12. Number of Packs sold during the last accounting year and details of other packs of the same formulation with their retail prices.
13. Break-up of Retail Price :-

Details	Existing Price if any*	Now Claimed (Rs./Pack)
(a) Material Cost (as per S.No. 14d); (b) Conversion Cost (as per norms); (c) Packing Material Costs (as per S.No. 15 or as per norms); (d) Packing Charges; (e) Ex-factory Cost (a to d); (f) MAPE 100% on (e) above; (g) Excise Duty; (h) Retail Price (R.P.) (e+f+g).		

* Existing Retail Price Approval Letter No. and Date - copy to be enclosed.

14. Material Cost

- (a) Batch Size (Nos./Litres/Kgs./etc);
- (b) No. of packs that can be theoretically obtained from the batch size as in (a) above;
- (c) Material Cost for the batch size as in (a) above;

S. No.	Name of the Material	Unit	Theoretical Quantity	Actual Overages (4+5)	Total Quantity	Rate/ Unit	Cost for the Batch(6 x 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Imported							
1.							
2.							
3.							
etc.							
Indigenous							
1.							



2.
3.
etc.

Total :

Add : Process loss as per norms % :

Total Material Cost :

$$\text{Material Cost per Pack} = \frac{\text{Total Material Cost}}{\text{Theoretical No. of Packs}}$$

15. Packing Material Costs :

Packs of

Batch size : Tablets/Gms etc. each

S.No.	Name of the Packing Material	Unit	Rate per Unit (Rs.)	Qty. Required per Batch	Value of Packing Materials/Batch (Nos/Kgs etc)(Rs.)
(1)	(2)	(3)	(4)	(5)	(6)
Imported					
1.					
2.					
3.					
etc.					
Indigenous					
1.					
2.					
3.					
etc.					

Total:

Add : Process loss as per norms % :

Total Packing Material Cost :

$$\text{Packing Material Cost per Pack} = \frac{\text{Total Packing Material Cost}}{\text{No. of Packs as per batch size}}$$

Note :

1. The information furnished in this form is to be certified by the authorised signatory of the company and Cost Accountant/Chartered Accountant.
2. In respect of bulk drug and major raw materials the following documents shall be enclosed :-



- A Statement indicating the purchases made during the last three months with copies of invoices certified by Cost Accountant/Chartered Accountant shall be enclosed.
 - Certified copies of recent batch production records or, in case production has not commenced, other documents maintained under Drugs and Cosmetics Act and the Rules made thereunder, in support of the quantities of raw materials claimed.
3. The rates claimed shall be net of modvat, wherever applicable.
 4. Basis and calculation of excise duty [S. No. 13(g)] to be given.

The information furnished above is correct and true to the best of my knowledge and belief.

Place :

Date :

Authorised Signatory:

Name :

Designation :

FORM IV

(To be submitted In seven copies) (See paragraphs 2, 8, 9 and 10)

Form of Application for approval or revision of Price of Scheduled formulations imported in finished form.

1. Name of the company.
2. Address of the Registered/ Head Office/ Factory, if any.
3. Reference to Permission, if any, given by Drug Control Authorities for import/ sale of the item.
4. Name of the imported formulation/ therapeutic group.
5. Type of formulation (capsule/ tablet/ inj. etc.).
6. Composition of the formulation.
7. Type of Packs (strip/ vial/ ampoule etc.).
8. Pack size (10's etc/ 10 ml etc/ 5 gms etc.).
9. Country from which imported and date of import.
10. (Quantity/ Number of packs imported with Batch/ Lot Number.)
11. C.I.F. Value in Foreign Currency.

(Not to include bank commission, interest etc.)

Total (Rs.) Per Pack (Rs.)

12. C.I.F Value in Rs. actually paid.
(Not to include bank commission, interest etc.)
13. Duty of customs, if any, actually paid.
14. Clearing Charges (with details) actually incurred.
15. Landed cost (12+13+14).
16. Packing Materials, if any, as per norms.
(Applicable in case of repacking)
17. Packing Charges, if any, as per norms.
18. Landed Cost (including repacking cost, if any). (15+16+17)



19. Margin @ 50%.
20. Duty of Excise, if any.
21. Retail price claimed (18+19+20).
22. Existing retail price, if any :
(copy of approval letter to be enclosed)

NOTES:-

- Information furnished should be certified by the Authorised Signatory of the company and a Cost/Chartered Accountant.
- In respect of Sl. Nos. 11 to 14 and 16, the claims shall be supported by certified copies of documentary evidence.

The Information furnished above is correct and true to the best of my knowledge and belief.

Place: _____ Authorised Signatory:
Date: _____ Name:
Designation:

FORM V
(See paragraphs 2, 14 and 15)
Form of Price List

1. Name and address of the manufacturer/ importer/ distributor.
2. Name and address of the marketing company, if any.
3. Details of Prices :-

Sl. No.	Name of the Product (Bulk Drug/ Formulation and its dosage form)	Composition Approved by Drug Control Authorities	Specifications of the pack		Excise Duty, if any		Local Tax, if any	Price to be Retailed (inclusive of Excise Duty)	Retail Price (inclusive of Excise Duty)	Maximum retail price inclusive of all taxes	Effective Batch Number & Date
			Type (*)	Size (**)	Rate (Rs.)	Amount (Rs.)	Amount (Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
A. BULK DRUGS											
1.											
2.											
3. etc											
B. FORMULATIONS											
I. Own Production											
1.											
2.											
3. etc											



II. Purchased		
1.		
2.		
3. etc		

(*) Strip, Bottle etc.

(**) 10's, 100's, 1 ml, 1 gm etc

NOTES:

- Information to be given separately for Scheduled and Non-Scheduled Items.
- In case of purchased formulation, name of the manufacturer shall be indicated.
- The price list must be signed by the authorised signatory of the manufacturers, importer or distributor.

FORM VI

(See paragraphs 2 and 20(2))

Yearly information on turnover and allocation of sales and expenses

- Name of the manufacturer.
- Address of the Registered/ Head Office/ Factory.
- Accounting year.
- Turnover of Bulk Drugs: -

Sl. No.	Name of the Bulk Drug	Unit	Prod. Quality	Captive Consumption		Domestic Sale		Exports	
				Quantity	Value Excl. ED (Rs. Lakhs)	Quantity	Sale Value Excl.ED (Rs. Lakhs)	Quantity	FOB Value (Rs. Lakhs)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
I. SCHEDULED BULK DRUGS									
1.									
2.									
3. etc.									
II. NON-SCHEDULED BULK DRUGS									
1.									
2.									
3. etc.									
TOTAL									

- Turnover of Formulations: -



Sl. No.	Description	Value of Domestic Sales excluding Excise Duty and Local Taxes (Rs. Lakhs)	Exports FOB Value (Rs. Lakhs)	TOTAL (Rs. Lakhs)
1.	2.	3.	4.	5.
I. SCHEDULED FORMULATIONS				
1. Own Produced				
2. Purchased				
(a) Indigenous				
(b) Imported				
II. NON-SCHEDULED BULK DRUGS				
1. Own Produced				
2. Purchased				
(a) Indigenous				
(b) Imported				
TOTAL				

6. Allocation of sales and expenses as shown in the Audited Profit & Loss Account (In Rupees)

Sl. No.	Particulars	Total as per P&L Account	Allocation to Bulk Drugs	Allocations to formulations					Other Activities,	Basis of Allocation
				Own Produced	Purchased Indigenous	If any purchased Imported	Export Sales	Total		
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.

A. INCOME

1. Sales Income (Excl. Excise duty and other taxes)
 2. Cash Subsidy (if any)
 3. Other Income (Incl. import incentives)
- TOTAL (1+2+3)

B. EXPENSES

4. Raw Materials
5. Packing Materials
6. Power & Fuel
7. Salaries and Wages
8. Stores and Spares
9. Repair and Maintenance



10. Insurance
11. Depreciation
12. Royalty
13. Interest
14. Head Office Expenses
15. Dealer's Commission and Discount
16. Research and Development Expenses
17. Other Expenses

TOTAL (4 to 17)

C. PROFIT BEFORE TAX (A-B)

D. PROFIT BEFORE TAX
(As a %age of Sales Income)
[C X 100/A]

NOTES :

- The basis of allocation should be reasonable and followed consistently.
- The figures against S.NO. A under Cols. 4 to 9 of item 6 should tally with the figures under items 4 and 5 respectively of this Form.
- This Form should be certified by the Company's Auditors.

The information furnished above is correct and true to the best of my knowledge and belief.

Place :

Date:

Authorised Signatory:

Name:

Designation:



Chapter-21**Insurance Regulatory Development Authority****21.1 INSURANCE**

The cost accountants in practice are authorised under Insurance Regulatory and Development Authority for the following work:

Surveyor And Loss Assessor**Extract from The Insurance Act,1938****Section 64UM: Licensing of surveyors and loss assessors.-**

(1) (A) Save as otherwise provided in this section, no person shall act as a surveyor or loss assessor in respect of general insurance business after the expiry of a period of one year from the commencement of the Insurance (Amendment) Act, 1968, unless he holds a valid licence issued to him by the Authority.

(B) Every person who intends to act as a surveyor or loss assessor after the expiry of a period of one year from the commencement of the Insurance (Amendment) Act, 1968, shall make an application to the Controller within such time, in such form, in such manner and on payment of such fee, not exceeding rupees two hundred and fifty, as may be prescribed.

(C) Every licence issued under this section shall remain in force, unless cancelled earlier, for a period of five years from the date of issue thereof, and may be renewed for a period of five years at a time, on payment of such fee, not exceeding rupees two hundred, as may be determined by the regulations.

(D) No licence to act as a surveyor or loss assessor shall be issued unless-

(i) the applicant, where he is an individual, satisfies the Controller that he-

- (a) has been in practice as a surveyor or loss assessor on the 26th day of October, 1968, or
- (b) holds a degree of a recognized University in any branch of engineering, or
- (c) is a fellow or associate member of the Institute of Chartered Accountants of India or the Institute of Cost and Works Accountants of India, or 130K
- (d) possesses actuarial qualifications or holds a degree or diploma of any recognized University or institute in relation to insurance, or
- (e) holds a diploma in insurance granted or recognized by the Government, or
- (f) possesses such other technical qualification as may be prescribed, and
- (g) does not suffer from any of the disqualifications mentioned in sub-section (4) of section 42;

(ii) the applicant, where he is a company or firm, satisfies the Controller that all his directors or partners, as the case may be, possess one or more of the qualifications specified in clause (i) and none of such directors or partners suffer from any of the disqualifications mentioned in sub-section (4) of section 42.

(E) Every application for the renewal of the licence shall be made at least thirty days before the expiry of the period of validity thereof.

(F) The Authority may, if he is satisfied that any licence issued or renewed under this section has been lost or destroyed, issue a duplicate licence on payment of a fee of rupees five and the duplicate licence so issued shall remain in force for the remainder of the period of validity of the licence in lieu of which it is issued.

(G) Without prejudice to the powers conferred by sub-section (7), the Authority, if satisfied that the holder of any licence has made a statement which is false in material particulars with regard to his eligibility for obtaining such licence or has, after the issue or renewal of such licence, acquired any of the disqualifications mentioned in sub-section (4) of section 42, may, after giving a reasonable opportunity to the holder of such licence of being heard, by order cancel such licence and notify such cancellation in the Official Gazette.



(2) No claim in respect of a loss which has occurred in India and requiring to be paid or settled in India equal to or exceeding twenty thousand rupees in value on any policy of insurance, arising or intimated to an insurer at any time after the expiry of a period of one year from the commencement of the Insurance (Amendment) Act, 1968, shall, unless otherwise directed by the Authority, be admitted for payment or settled by the insurer unless he has obtained a report, on the loss that has occurred, from a person who holds a licence issued under this section to act as a surveyor or 130L loss assessor (hereafter referred to as "approved surveyor or loss assessor"): Provided that nothing in this sub-section shall be deemed to take away or abridge the right of the insurer to pay or settle any claim at any amount different from the amount assessed by the approved surveyor or loss assessor.

(3) The Authority may, at any time, in respect of any claim of the nature referred to in sub-section (2), call for an independent report from any other approved surveyor or loss assessor specified by him and such surveyor or loss assessor shall furnish such report to the Authority within such time as may be specified by the Authority or if no time limit has been specified by him within a reasonable time and the cost of, or incidental to, such report shall be borne by the insurer.

(4) The Authority may, on receipt of a report referred to in sub-section (3), issue such directions as he may consider necessary with regard to the settlement of the claim including any direction to settle a claim at a figure less than, or more than, that at which it is proposed to settle it or it was settled and the insurer shall be bound to comply with such directions: Provided that where the Authority issues a direction for settling a claim at a figure lower than that at which it has already been settled, the insurer shall be deemed to comply with such direction if he satisfies the Controller that all reasonable steps, with due regard to the question whether the expenditure involved is not disproportionate to the amount required to be recovered, have been taken with due despatch by him: Provided further that no direction for the payment of a lesser sum shall be made where the amount of the claim has already been paid and the Authority is of opinion that the recovery of the amount paid in excess would cause undue hardship to the insured: Provided also that nothing in this section shall relieve the insurer from any liability, civil or criminal, to which he would have been subject but for the provisions of this sub-section.

(5) No insurer shall, after the expiry of a period of one year from the commencement of the Insurance (Amendment) Act, 1968, pay to any person any fee or remuneration for surveying, verifying or reporting on a claim of loss under a policy of insurance unless the person making such survey, verification or report is an approved surveyor or loss assessor.

Where, in the case of a claim of less than twenty thousand rupees in value on any policy of insurance it is not practicable for an insurer to employ an approved surveyor or loss assessor without incurring expenses disproportionate to the amount of the claim, the insurer may employ any other person (not being a person disqualified for the time being for being employed as a surveyor or loss assessor) for surveying such loss and may pay such reasonable fee or remuneration to the person so employed as he may think fit.

(7) If the Authority is satisfied that an approved surveyor or loss assessor has been guilty of willfully making a false statement knowing it to be false or of being knowingly a party to the settlement of a claim in a fraudulent manner, he may, after giving such surveyor or loss assessor an opportunity of being heard, cancel the licence issued to him with effect from such date as may be specified by him and shall notify such cancellation in the Official Gazette.

(8) Any surveyor or loss assessor whose licence has been cancelled shall not be eligible for having a licence to act as a surveyor or loss assessor for a period of three years from the date on which the cancellation is notified in the Official Gazette.

(9) The Authority may in respect of any claim of value of less than twenty thousand rupees on an insurance policy, if the claim has not been or is not proposed to be reported upon by a surveyor or loss assessor, direct that such claim shall be reported upon by an approved surveyor or loss assessor and where the Authority makes such direction, the provisions of sub-sections (3) and (4) shall apply in respect of such claim.

(10) Where, in relation to any class of claims, the Central Government is satisfied that it is customary to entrust the work of survey or loss assessment to any person other than a licensed surveyor or loss assessor, or it is not practicable to make any survey or loss assessment, it may, by an order published in the Official Gazette, exempt such



class of claims from the operation of this section.

21.1.1 The cost accountants in practice on an individual basis are authorised to act as Surveyor and Loss Assessor under Insurance Regulatory Authority, for which they have to seek license from them. The Form in this regard is given below for information:

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

FORM - IRDA – 1 – AF

[See Regulation 3(1)]

APPLICATION FOR A LICENCE TO ACT AS SURVEYOR AND LOSS ASSESSOR

To

Gate No. 3
Jeevan Tara Building,
First Floor,
Sansad Marg,
New Delhi-110001,
Telephone : 011-23747648
Fax : 011-23747650

Passport Size

Photo.

(3+1)

Sir,

- I request that a licence to act as a Surveyor and Loss Assessor may be granted to me for the following classes.

Depts	Fire	Mrn Cargo	Mrn Hull	Engg.	Motor	Misc.	LOP
Please tick							

- I enclose a Demand Draft No. Dated Drawn on towards payment of fees.

3. I hereby declare that:

- I have not been found to be of unsound mind by a Court of competent jurisdiction.
- I have not been found guilty of criminal misappropriation or criminal breach of trust or cheating or forgery or of abetment or attempt to commit any such offence by a Court of Competent Jurisdiction.
- I have not been found guilty of or to have knowingly participated in or conceived at any fraud/dishonesty or misrepresentation against an insurer or an insured in the course of any judicial proceeding relating to any policy of insurance or the winding up of an insurance company or in the course of any judicial proceeding relating to any policy of insurance or the winding up of an insurance company or in the course of any investigation of the affairs of an insurer.
- I shall not violate the code of conduct specified by the regulations made by the Authority.
- I possess the requisite qualifications and practical training as specified by the regulations made by the Authority.
- I have passed such examination as specified by the regulations made by the Authority.
- I enclose 4 passport size photographs.

(Please also enclose an affidavit affirming clauses (i) to (vi) duly notarised.)

- I also declare that the particulars given below are true:

(IN BLOCK LETTERS)



- a. Full Name (in Hindi & English) Shri/Smt/Kum.
- b. Father’s/Husband’s Name
- c. Full address in Hindi with PIN CODE
- d. Full address in English with PIN CODE

5. Qualification

- a) Academic/professional
- b) Insurance

- c) Training attended (Nature – duration)

6. Communication

Phone Office	Phone Res.	Fax	Pager	Mobile	E-Mail

7. Date of Birth

8. Practical Training Details (Please enclose the certificate of training obtained from the surveyor/ survey firm)

Name of Surveyor/ Survey Firm	Departments Allocated to the Surveyor/ Survey Firm	Category Awarded to the Surveyor/ Survey Firm	Period of training undergone (Please mention dates)	Name of person(s) under whom training undertaken	Areas covered	Result

9. Experience:

- a) Whether the applicant is employed with any insurance company: _____
- b) Job Experience in previous employment other than insurance surveyor, if any: _____
- c) Details of other business/ employment: _____

10. Whether the applicant possesses any of the following qualifications: Yes/ No.

If so give details and also enclose either the original diploma certificate with one copy each or copies of original diploma duly attested by a Magistrate or Notary Public. (Where original diploma/ Certificates are sent they will be returned after perusal but no responsibility can be accepted for loss or damage of such originals):

- (a) holds a degree of a recognised University in any branch of Engineering.
- (b) Is a fellow or associate member of the Institute of Chartered Accountants of India or the Institute or Cost and Works Accountants of India.
- (c) Actuarial qualifications or holds a degree or diploma of any recognised university or institute in relation to insurance.
- (d) Holds a diploma in insurance granted or recognised by the Government.
- (e) Possesses any of the technical qualifications mentioned in Rule-56-A of the Insurance Rules, 1939.



11. (a) Are you employed? If yes, please give details.

Are you under the employment of a Government/Semi-Government Organisation of any other Public Sector Undertaking, Private Organisation? Give details and attach No Objection Certificate of your present employer.

(b) Experience: Job experience in chronological order of employment.

12. Have you ever held a licence to act as a surveyor and loss assessor? If so, state number and date and attach a photocopy of the Licence No., SLA date of issue. If the Licence is required in the name of the Sole Proprietorship Firm, full name and address of the firm under which the individual proposes to carry on the work should also be mentioned here.

Yours faithfully

Signature of the Applicant

CHECK LIST

Please ensure:

- 1) Draft in favour of Insurance Regulatory and Development Authority, payable at New Delhi.
- 2) Degree/ Diploma attested by Notary/ Magistrate only.
- 3) Affidavit of Rs. 10/- duly notarised against S.No. 3 of the application form is a must.
- 4) Self addressed envelop of 4.5" x 10" with Rs.25/- postage stamps.
- 5) Please enclose attested documents in response to Q. No.'s 5, 8, 9, 10 & 11 the answers to which are a must.
- 6) Please attach 4 passport size photographs with the application.

Notes

1. The attention of the applicant is drawn to Section 102 of the Insurance Act 1938, which provides that whoever in any document required for the purpose of any of the provisions of the Act, rules or regulations made thereunder, fails to furnish the same shall be liable to a penalty not exceeding Rs. 5 lakhs for each such failure and punishable with fine.
2. An individual can apply for only one licence, which will entitle him to act as a Surveyor and Loss Assessor for any insurer.
3. Any correction or alteration made in answer to the questions in the application should be initialed by the applicant.
4. An applicant must be atleast 18 (eighteen) years of age on the date of submission of the application. In the case of any applicant declaring him at is 18 years the exact date of birth of falling in the year or birth should be stated against item 4 of the application. If require the applicant shall furnish proof age.
5. The fee as specified in the Regulation should be paid by means of Account Payee Demand Draft in favour of Insurance Regulatory and Development Authority, Hyderabad drawn on any Bank.

Fee Structure: The following scale of fees shall be payable to IRDA from the fresh applicants for grant of licence.

S. No.	Category of Surveyor and Loss Assessor	Amount payable for Individuals (Rupees)
1.	A	Ten Thousand
2.	B	Seven Thousand five hundred
3.	C	Five Thousand



6. If the fee is made for a category of surveyor and loss assessor licence which involves payment of higher sum of money and the Authority grants a licence whose category involves payment of lower fees the Authority shall refund the balance to the applicant within a reasonable period of time through a crossed cheque in favour of the applicant.
7. The application complete in all respect along with bank draft and the certificates attested by a Magistrate or a Notary Public should be forwarded by the applicant to the following address by Registered Post;
The Insurance Regulatory and Development Authority
Gate No. 3
Jeevan Tara Building,
First Floor,
Sansad Marg,
New Delhi-110001,
Telephone: 011-23747648
Fax: 011-23747650
Enquiry Between 1530 hrs. to 1700 hrs.
As the licence is issued bilingual viz., in Hindi and English, the applicant may like to indicate how he spells his name in Hindi. It is therefore, requested that the name and address may be written both in Hindi & English.
8. Payment in Cash or by Money Order, Cheque, Postal Order, Postage or Insurance Stamp is not accepted and will be returned at applicant's cost.
9. No acknowledgement of this application will be sent. If one is required the application should be sent by registered post (acknowledgement due).
10. An affidavit of Rs. 10/- duly notarised on non-judicial stamp paper is required to be furnished for both fresh and renewal of licences in the form of a declaration as contained against S.No. of 3 of the application form.

21.1.2 The Firm/Company of cost accountants in practice are authorised to act as Surveyor and Loss Assessor under Insurance Regulatory Authority, for which they have to seek license from them. The Form in this regard is given below for information:

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
FORM - IRDA – 3 – AF [See Regulation 4(2)]
APPLICATION FROM A FIRM OR COMPANY FOR A LICENCE TO ACT AS A
SURVEYOR AND LOSS ASSESSOR

To
Gate No. 3
Jeevan Tara Building,
First Floor,
Sansad Marg,
New Delhi-110001,
Telephone : 011-23747648
Fax : 011-23747650



Dear Sir,

It is requested that a licence to act as a Surveyor and Loss Assessor may be granted to our Firm/ Company for the following classes.

Depts	Fire	Mrn Cargo	Mrn Hull	Engg.	Motor	Misc.	LOP
Please tick							

1. The receipt No.dated.....from.....showing payment of fees of Rs. _____ is enclosed.
2. It is hereby declared that-
 - (i) no director/ partner of our Company/ Firm has been found to be of unsound mind by a Court of competent jurisdiction;
 - (ii) no director/ partner of our Company/ Firm has been found guilty of criminal misappropriation or criminal breach of trust, or cheating or forgery, or an abetment of or attempt to commit any such offence by a Court of competent jurisdiction;
 - (iii) no director/ partner of our Company/ Firm has been found guilty of or to have knowingly participated in or connived at any fraud, dishonesty or misrepresentation against an insurer or an insured in the course of any judicial proceedings relating to any policy of insurance or the winding up of an insurance company or in the course of an investigation of the affairs of an insurers; and
 - (iv) no director/ partner of our Company/ Firm is a minor.
 - (v) no director/ partner of our Company/ Firm shall violate the code of conduct specified by the regulations made by the Authority.
 - (vi) all director(s)/ partner(s) of our Company/ Firm possess the requisite qualifications and practical training as specified by the regulations made by the Authority.
 - (vii) all director(s)/ partner(s) persons of our Company/ Firm have passed such examination as specified by the regulations made by the Authority.

3. It is also declared that the particulars given below are true.

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Full name of the applicant
(In Block Letters in Hindi & English) 2. Full Address
(In Hindi & English) 3. The names of all the directors/ partners, 3.
with their addresses stating in each case the date
of birth and whether they claim to:- | <ol style="list-style-type: none"> 1. Company/ Firm _____ 2. _____ _____ _____ _____ _____ _____ |
| <ol style="list-style-type: none"> (a) have been in practice as a surveyor/loss (a)
assessor on the 3 1st May, 1970, or (b) hold a degree of a recognised university (b) | _____
_____ |



- in any branch of engineering, or _____
- (c) be a fellow or associate member of the (c) _____
 Institute of Chartered Accountants of _____
 India or Institute of Cost and Works _____
 Accountants of India, or _____
- (d) posses actuarial qualifications or hold a (d) _____
 degree or diploma of any Indian University _____
 or Institute in relation to insurance, or _____
- (e) hold a diploma in insurance granted (e) _____
 or recognized by the Government, or _____
- (f) possess any of the technical qualifications (f) _____
 mentioned in Rule 56-A. _____

(N.B. 1: In the case of each of the partners/directors claiming to come under item (a) above and not being eligible to come under any of the items (b) to (f) above, a declaration as given in the Insurance Rules, 1939 and sworn before a Magistrate or Notary Public should be forwarded and in the case of each of the partners/Directors claiming to come under any one of the items (b) to (f) above, either the original diplomas/ certificates with one of the attested copy each, or copies of the original diplomas/ certificates duly attested by a Magistrate or Notary Public should be enclosed. Where original diplomas/ certificates are sent, they will be returned after perusal, but no responsibility can be accepted for loss or damage of such originals

N.B. 2: Where a director/ partner does not already hold a licence then an application from such a person should accompany this application.

(If the space above is insufficient particulars may be given in a separate sheet which should be signed by the applicant)

4. The individual details of all the directors/ partners in the Company/ Firm be enclosed as per FORMIRDA-3A-AF attached.
5. Did the Firm/Company ever hold a licence, if so state number and date of issue

Yours faithfully
 Signature of applicant
 (Designation)
 Name of Firm/company.....
 Seal of the Company/ Firm

Name of place.....
 Dated the.....
 (See Notes on the reverse)

**CHECK LIST**

Please ensure:

- 1) Draft in favour of Insurance Regulatory and Development Authority, payable at New Delhi.
- 2) Degree/ Diploma attested by Notary/ Magistrate only.
- 3) Affidavit of Rs. 10/- duly notarised against S.No. 3 of the application form is a must.
- 4) Self addressed envelop of 4.5" x 10" with Rs.25/- postage stamps.
- 5) Please enclose FORM-IRDA-3A-AF complete in all respect along with attested photocopies of the documents.
- 6) Copy of technical qualification must be attached

Notes

1. The attention of the applicant is drawn to Section 102 of the Insurance Act 1938, which provides that whoever in any document required for the purpose of any of the provisions of the Act, rules or regulations made thereunder, fails to furnish the same, shall be liable to a penalty not exceeding Rs 5 lakhs for each such failure and punishable with fine.
2. A firm or company can apply for only one licence which will entitle it to act as a surveyor and loss assessor.
3. Any correction or alteration made in the application should be initialed by the applicant.
4. The fee as specified in the Regulation should be paid by means of Account Payee Demand Draft in favour of Insurance Regulatory and Development Authority, Hyderabad drawn on any Bank.

Fee Structure: The following scale of fees shall be payable to the Authority from the fresh applicants for grant of licence.

S. No.	Category of Surveyor and Loss Assessor	Amount payable for Companies/ Firms (Rupees)
1.	A	Twenty Five Thousand
2.	B	Twenty Thousand
3.	C	Fifteen Thousand

5. Payment in Cash or by Money Order, Cheque, Postal Order, Postage or Insurance Stamp is not accepted and will be returned at applicant's cost.
6. If the fee is made for a category of surveyor and loss assessor licence which involves payment of higher sum of money and the Authority grants a licence whose category involves payment of lower fees the Authority shall refund the balance to the applicant within a reasonable period of time through a crossed cheque in favour of the applicant.
7. The application complete in all respects alongwith Account Payee Demand Draft should be forwarded by the applicant to the following address:

The Insurance Regulatory and Development Authority 3rd Floor,
Gate No. 3
Jeevan Tara Building,
First Floor,
Sansad Marg,
New Delhi-110001,
Telephone: 011-23747648
Fax: 011-23747650



- 8. No acknowledgement of this application will be sent. If one is required the application should be sent by registered post (acknowledgement due).
- 9. An affidavit of Rs. 10/- on non-judicial stamp paper is required to be furnished for fresh licence in the form of a declaration as contained in S.No. 3 of the application form.

21.1.3 The Form for renewal of license in respect of individual cost accountants in practice is given below for information:

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY
FORM - IRDA – 5 – AF
[See Regulation 7 (1)]
APPLICATION FOR RENEWAL OF A LICENCE TO ACT AS
SURVEYOR AND LOSS ASSESSOR

Passport size
Photo
(3+1)

From :
 Sh./Smt/Kumari
 Name of Surveyor/Loss Assessor
 (in Hindi & English)
 Full Address
 (in Hindi & English)
 working as sole-proprietor of

.....

To
 Insurance Regulatory and Development Authority
 Gate No. 3
 Jeevan Tara Building,
 First Floor,
 Sansad Marg,
 New Delhi-110001,
 Telephone: 011-23747648
 Fax: 011-23747650

Licence No. ----- Date of Expiry -----
 Depts. Allocated.----- Category----- ID Card No.-----

Dear Sir,

- 1. I request that the above licence may be renewed for a further period of five years.
- 2. I enclosed Demand Draft No. ----- Dated -----
 on ----- showing the payment of fee.
- 3. I declare that since the date of my last application for licence (affidavit on non judicial paper for Rs.10 –



duly notorised).

- (i) I have not been found to be unsound mind by a Court of competent jurisdiction.
- (ii) I have not been found guilty of criminal misappropriation or criminal breach of trust or cheating or forgery of an abetment of or attempt to commit any such offence by a Court of Competent jurisdiction and
- (iii) I have not been found guilty of or to have knowingly participated in or connived at any fraud/dishonesty or made any misrepresentation against an insurer or an insured in the course of any judicial proceeding relating to a policy of insurance or the winding up of any investigation of the affairs of an insurer, and
- (iv) My licence has not been cancelled at any time by the Controller of Insurance/ Insurance Regulatory and Development Authority.
- (v) I declare that I continue to hold the qualification on the basis of which my licence mentioned above was issued.
- (vi) An undertaking on performance report showing survey work done by me during the last 5 years of the validity period indicating total number of survey work, and amount involved in each category of cases, year-wise and company-wise is enclosed.
- (vii) In addition to surveyor’s work, I am also engaged on other occupations, the details of which are given below:

Or

I am not engaged in any other occupation.

- (viii) I have not violated the code of conduct of the Authority
- (ix) I have not contravened any of the provisions of the IRDA Act, 1999, Insurance Act, 1938, Rules and Regulations made thereunder including any order or directions issued by the Authority or any of its designated persons;
- (x) I have not made a statement which is false in material particulars with regard to my eligibility for the licence or renewal thereof or in any of the activities transacted by me or the matters connected therewith as a Surveyor and Loss Assessor;
- (xi) I have neither attracted the disqualification provisions referred to in the Insurance Act, 1938 nor violated the code of conduct; and
- (xii) I have performed the duties & responsibilities as a professional.
- (xiii) I enclose 4 passport size photographs.

3. Whether the applicant has been in practice as a Surveyor and Loss Assessor on the 31st May, 1970 (say Yes or No) If answer is in affirmative and the applicant does not possess any of the qualifications stated in Insurance Act, 1938 and rules and regulations made thereunder the applicant must make a declaration as given in the Insurance Rules, 1939 and duly sworn before a Magistrate or a Notary Public.

4. I also declare that the facts stated herein are true.

Yours faithfully,
Signature of the Applicant

Dated

Check List:

(1) D.D. in favour of Insurance Regulatory and Development Authority, payable at Hyderabad.



- (2) Copy of previous licence
- (3) Qualification copy duly attested by notary
- (4) Affidavit of Rs. 10/-
- (5) Work performance report
- (6) Self-addressed envelop size 4.5" x 10" with Rs.25/- postage stamps.
- (7) 4 no.'s passport size photographs
- (8) Copy of Memorandum Articles of Association

Notes

1. The attention of the applicant is drawn to Section 102 of the Insurance Act 1938, which provides that whoever in any document required for the purpose of any of the provisions of the Act, rules or regulations made thereunder, fails to furnish the same, shall be liable to a penalty not exceeding Rs 5 lakhs for each such failure and punishable with fine.
2. That name and the Licence Number given in the application should be identical with those shown in the Licence held. If there is any subsequent change in the name, the reasons for the same should be stated furnishing documentary evidence for the same.
3. Any correction or alteration made in answer to the questions in the application should be initialled by the applicant.
4. The application should reach the Authority at least thirty days before the expiry of the licence.
5. A fee of Rs. 200/- should be paid by means of Account Payee Demand Draft in favour of Insurance Regulatory and Development Authority, New Delhi drawn on Indian Overseas Bank, Parliament Street Branch, New Delhi.
6. If the fee is made for a category of surveyor and loss assessor licence which involves payment of higher sum of money and the Authority grants a licence whose category involves payment of lower fees the Authority shall refund the balance to the applicant within a reasonable period of time through a crossed cheque in favour of the applicant.
7. The application complete in all respect along with bank draft and the certificates attested by a Magistrate or a Notary Public should be forwarded by the applicant to the following address by Registered Post;

Insurance Regulatory and Development Authority
Gate No. 3
Jeevan Tara Building,
First Floor,
Sansad Marg,
New Delhi-110001,
Telephone: 011-23747648
Fax: 011-23747650

Enquiry Between 1500 hrs. to 1600 hrs.
8. Payment in Cash or by Money Order, Cheque, Postal Order, Postage or Insurance Stamp is not accepted and will be returned at applicant's cost.
9. No acknowledgement of this application will be sent. If one is required the application should be sent by registered post (acknowledgement due).
10. An affidavit of Rs. 10/- duly notarised on non-judicial stamp paper is required to be furnished for renewal of licences in the form of a declaration as contained against S.No. of 3 of the application form.



3.1.4 The Form for renewal of license in respect of firm/company of cost accountants in practice is given below for information:

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

FORM - IRDA – 6 – AF

[See Regulation 7(1)]

**APPLICATION FROM A FIRM OR COMPANY FOR RENEWAL OF A LICENCE TO ACT AS
A SURVEYOR AND LOSS ASSESSOR**

From

Name of the Applicant
(In Block Letters in Hindi & English)

Full Address:
.....
(In Block Letters in Hindi & English)

To

Insurance Regulatory and Development Authority
Gate No. 3
Jeevan Tara Building,
First Floor,
Sansad Marg,
New Delhi-110001,
Telephone: 011-23747648
Fax: 011-23747650

Licence No. Department AllocatedCategory.....

I.D. Card No. Date of Expiry

Dear Sir,

- It is requested that the above licence may be renewed for a further period of five years for the following classes of insurance.

Depts	Fire	Mrn Cargo	Mrn Hull	Engg.	Motor	Misc.	LOP
Please tick							

- The receipt No.dated.....from.....showing payment of fees of Rupees _____ is enclosed.

3. It is hereby declared that-

- no director/ partner of our Company/ Firm has been found to be of unsound mind by a Court of competent jurisdiction;
- no director/ partner of our Company/ Firm has been found guilty of criminal misappropriation or criminal breach of trust, or cheating or forgery, or an abetment of or attempt to commit any such offence by a Court of competent jurisdiction;
- no director/ partner of our Company/ Firm has been found guilty of or to have knowingly participated in or connived at any fraud, dishonesty or misrepresentation against an insurer or an insured in the



- course of any judicial proceedings relating to any policy of insurance or the winding up of an insurance company or in the course of an investigation of the affairs of an insurers; and
- (iv) no director/ partner of our Company/ Firm is a minor.
 - (v) no director/ partner of our Company/ Firm shall violate the code of conduct specified by the regulations made by the Authority.
 - (vi) all director(s)/ partner(s) of our Company/ Firm possess the requisite qualifications and practical training as specified by the regulations made by the Authority.
 - (vii) all director(s)/ partner(s) of our Company/ Firm have passed such examination as specified by the regulations made by the Authority.
4. It is declared that each one of the partners/ Directors of the firm who was a partner/ Director when the above mentioned licence was issued and who is now a partner/ Director continues to satisfy the requirements of clause (D) of subsection (1) of Section 64-UM of the Act.
5. It is also declared that the particulars given below are true.
6. The names of all the director(s)/ partner(s), with their addresses, are given below, stating in each case the date of birth and whether the partner or Director or employee claims to:-
- (a) have been in practice as a surveyor/ (a)
loss assessor on the 26th October, 1968, or
 - (b) hold a degree of a recognized (b)
university in any branch of engineering, or
 - (c) be a fellow or associate member of the (c)
Institute of Chartered Accountants of India
or Institute of Cost and Works Accountants
of India, or
 - (d) possess actuarial qualifications or holds a (d)
degree or diploma of any Indian University
or Institute in relation to insurance, or
 - (e) hold a diploma in insurance granted or (e)
recognized by the Government, or
 - (f) possess any of the technical qualifications (f)
mentioned in Rule 56-A
- (N.B. In the case of each of the director/ partner who was not a partner/ Director on the date of last application for licence:-
- i) where he claims to come under item (a) above, and is not eligible to come under any of the items (b) to (f) above, a declaration as given in the Insurance Rules, 1939 and sworn before a Magistrate or a Notary Public should be forwarded with this form; and
 - ii) where the claims to come under any one of the items (b) to (f) above, either the original diplomas/ certificates with one of the attested copy each, or copies of the original diplomas/ certificates duly attested by a Magistrate or Notary Public should be enclosed. Where original diplomas/ certificates are sent, they will be returned after perusal, but no responsibility can be accepted for loss or damage of such originals).
7. The individual details of all new director/ partner in the Company/ Firm be enclosed as per FORMIRDA-6A-AF attached.



Yours faithfully
Signature of applicant
Designation

Name of Firm/company.....
Seal of the Company/ Firm

Name of place.....

Dated the.....

CHECK LIST

Please ensure:

- 1) Draft in favour of Insurance Regulatory and Development Authority, payable at New Delhi.
- 2) Copy off previous licence.
- 3) Degree/ Diploma attested by Notary/ Magistrate only for new directors/ partners of the company/ firm.
- 4) Affidavit of Rs. 10/- duly notarised against S.No. 3 of the application form is a must.
- 5) Self addressed envelop of 4.5" x 10" with Rs.25/- postage stamps.
- 6) Work Performance report
- 7) Please enclose FORM-IRDA-6A-AF complete in all respect along with attested photocopies of the documents in respect in respect of all new director/ partners/ employees of the company/firm.

Notes

1. The attention of the applicant is drawn to Section 102 of the Insurance Act 1938, which provides that whoever in any document required for the purpose of any of the provisions of the Act, rules and regulations made thereunder, fails to furnish the same, shall be liable to a penalty not exceeding Rs 5 lakhs for each such failure and punishable with fine.
2. The name and the licence number given in the application should be identical with those shown in the licence held. If there is any subsequent change in the name, the reason for the same should be stated furnishing documentary evidence for the same.
3. Any correction or alteration made in the application should be initialled by the applicant.
4. The application should reach the Authority at least thirty days before the expiry of the licence.
5. A fee of Rs. 200/- should be paid by means of Account Payee Demand Draft in favour of Insurance Regulatory and Development Authority, New Delhi drawn on Indian Overseas Bank, Parliamentary Street, New Delhiany bank.
6. Payment in Cash or by Money Order, Cheque, Postal Order, Postage or Insurance Stamp is not accepted and will be returned at applicant's cost.
7. If the fee is made for a category of surveyor and loss assessor licence which involves payment of higher sum of money and the Authority grants a licence whose category involves payment of lower fees the Authority shall refund the balance to the applicant within a reasonable period of time through a crossed cheque in favour of the applicant.
8. The application complete in all respects alongwith crossed Demand Draft should be forwarded by the applicant to the following address:
The Insurance Regulatory and Development Authority
Gate No. 3



Jeevan Tara Building,
First Floor,
Sansad Marg,
New Delhi-110001,
Telephone: 011-23747648
Fax: 011-23747650

9. No acknowledgement of this application will be sent. If one is required the application should be sent by registered post (acknowledgement due).
10. An affidavit of Rs. 10/- on non-judicial stamp paper is required to be furnished for fresh licence in the form of a declaration as contained in S.No. 3 of the application form.



Chapter-22

Telecom Regulatory Authority of India (TRAI)

22.1 Telecom Commission

The Telecom Commission was set up by the Government of India on 11th April 1989 with administrative and financial powers of the Government of India to deal with various aspects of telecommunications. The Commission consists of a Chairman and four full time members who are ex-officio Secretaries to the Government of India in the Department of Telecommunication (DoT). In addition, there are four part time members who are Secretaries to the Government of India of the departments concerned.

The Telecom Commission and the Department of Telecommunications are responsible for policy formulation, licensing, wireless spectrum management, administrative monitoring of PSUs, research and development and standardization/validation of equipment etc. The multi-pronged strategies followed by the Telecom Commission have not only transformed the very structure of this sector but have motivated all the partners to contribute in accelerating the growth of the sector.

22.2 Department of Telecommunications

The Department of Telecommunications is part of the Ministry of Communication and Information Technology of the Government of India. It is the authority in India which looks after licensing and overall policy making in India.

Together the main functions of the Telecom Commission and the Department of Telecommunications include:

- Policy formulation
- Review of performance of the sector
- Licensing
- Wireless spectrum management
- Administrative monitoring of Public Sector Undertakings in telecom (including BSNL and MTNL)
- Research and development
- Standardization/ validation of equipment
- International relations

22.3 Telecom Regulatory Authority of India

TRAI was established on 20th February 1997 by an Act of Parliament to regulate telecom services, including fixation/revision of tariffs for telecom services which were earlier vested in the Central Government. Subsequently, in 2000, the adjudicatory powers of TRAI were separated and entrusted to the Telecom Dispute Settlement & Appellate Tribunal (“TDSAT”).

As mentioned above, one of the main objectives of the Authority is to provide a fair and transparent policy environment to promote a level playing field and facilitate fair competition, to achieve this objective, the Authority has to collect financial data from service providers to measure the financial performance of products and services, analyze costs, returns and capital employed in major areas of a service provider’s business, monitor licensees’ returns on products and services, identify cross subsidization which influences the profitability of any segments, investigate predatory pricing, discrimination and other anticompetitive conduct, and understand inter-operator arrangements in terms of their associated pricing and costs.

In pursuance of the above objective, TRAI has issued from time to time a large number of regulations, orders and directives to deal with issues coming before it and provided the required direction to the evolution of the Indian telecoms market.



The key functions of TRAI include:

- Regulation of tariffs, interconnection and quality of service;
- Making recommendations to the Government on policy issues, licensing, terms & conditions, licence revocation, competition facilitation etc. It is mandatory for the Government to seek recommendations from TRAI in respect of specified matters.

22.4 Telecom Dispute Settlement & Appellate Tribunal (TD-SAT)

The Telecom Regulatory Authority of India Act, 1997 was amended by the Telecom Regulatory Authority of India (Amendment) Act, 2000. The amendments were brought about to remove certain difficulties that had arisen in the implementation of the Act. A clear distinction was made between the recommendatory and regulatory functions of TRAI by the setting up of a separate dispute settlement mechanism. By the Amendment Act, an Appellate Tribunal known as the Telecom Disputes Settlement & Appellate Tribunal was set up to adjudicate disputes and dispose off appeals with a view to protect the interests of service providers and consumers of the telecoms sector and to promote and ensure orderly growth of the sector. The Appellate Tribunal came into existence on 29th May 2000 and started hearing cases from January 2001.

The functions of the appellate tribunal are:

- to adjudicate any dispute:
 - between a licensor and licensee;
 - between two or more service providers;
 - between a service provider and a group of consumers;
- to hear and dispose of appeals against any decision or order of TRAI.

Broadly, the issues involved in cases filed before the Appellate Tribunal relate to interconnection, challenging the basis of computation of licence fees by the licensor, wrongful levy and charge of royalty and licence fees for frequency allocation, blocking of calls by one group of service providers, disputes relating to default traffic, challenges to tariffs fixed by TRAI, cashing of bank guarantees, disputes between broadcasters etc.

22.4.1 Appearance as Authorised Representative Under Section 17 of TRAI Act, 1997

Cost Accountant in practice has been authorised to appear before TRAI prescribed under Section-17 of TRAI ACT, 1997 which has been covered under Chapter-**Appearance as Authorised Representative**.

22.5 Reporting and Audit for System on Accounting Separation

Cost Accountants in practice have been authorised to carry out the audit under “**The Reporting System on Accounting Separation Regulations, 2012**”. The relevant extra of Notification no. No. No. 16-07/2010-FA dated 10th April 2012 through which the regulations were issued is given below:

22.5.1 These regulations shall apply to all service providers having aggregate turnover of not less than rupees one hundred crore, during the accounting year for which report is required to be submitted under these regulations, from operations under the licence issued under section 4 of the Indian Telegraph Act, 1885. **Regulation 3. Manual** (1) Every service provider shall for the purpose of implementing the accounting and reporting practices specified under these regulations furnish to the Authority within 90 days from the date of commencement of these regulations, a manual containing policies, principles, methodologies and procedures for accounting and **cost allocation**;

22.5.2 **Regulation 4. Reports** - (1) Every service provider shall furnish to the Authority the following financial and non-financial reports, geographical area wise as well as consolidated report for all geographical areas, namely: -

(a) financial reports: -

- (i) the profit and loss statement in proforma A of Schedule III to these regulations in respect of each service specified in Schedule-I to these regulations;



- (ii) the profit and loss statement in proforma B of Schedule III to these regulations in respect of each product specified in Schedule I to these regulations;
- (iii) the network element wise cost sheet in proforma C of Schedule III to these regulations containing network element wise cost and its allocation to various products, basis of such allocation and cost per unit of usage based on the list of network elements of various services contained in Schedule II to these regulations;
- (iv) the cost sheet of support function and department in proforma D of Schedule III to these regulations and its allocation to products and network elements;
- (v) the statement in proforma E of Schedule III to these regulations containing category wise fixed assets and depreciation thereon ;
- (vi) the capital employed statement in proforma F of Schedule III to these regulations for the services provided by the service provider;
- (vii) the statement in proforma G of Schedule III to these regulations allocating capital employed for each service with respect to the products contained in Schedule I to these regulations;
- (viii) the statement in proforma H of Schedule III to these regulations with respect to related party information pertaining to revenue and cost;

(b) non-financial reports:-

The statement in proforma J of Schedule III to these regulations for services mentioned in Schedule I to these regulations comprising nonfinancial information relating to subscribers, network usage and network capacity.

- (2) Every service provider shall furnish to the Authority the financial and non-financial reports referred to in sub-regulation (1);
 - (a) every accounting year based on Historical Cost Accounting for all the services specified in Schedule-I to these regulations ; and
 - (b) every second accounting year based on Replacement Cost Accounting for the following services specified in Schedule-I to these regulations: -
 - i. Access Service – Wireless (Full Mobility)
 - ii. Access Service – WLL
 - iii. Access Service – Wireline
 - iv. National Long Distance Service
 - v. International Long Distance Service

Provided that a service provider is not required to furnish the financial report based on Replacement Cost Accounting for three years from the date of issue of licence.

- (3) Every service provider shall-
 - (a) reconcile the profit and loss statement referred to in sub-clause (i) of clause (a) of sub-regulation (1) and capital employed statement, referred to in sub-clause (vi) of clause (a) of sub-regulation (1), prescribed on the basis of the Historical Cost, with the audited Annual Financial Statement prepared under section 211 of the Companies Act, 1956; and
 - (b) furnish in proforma I of Schedule III to these regulations a reconciliation statement covering all services and its geographical areas of operation.
- (4) Every service provider shall furnish financial reports referred to in subregulation (1) on the basis of Replacement Cost Accounting by-
 - (i) following financial capital maintenance methodology;
 - (ii) limiting cost adjustment to the fixed assets;
 - (iii) ignoring replacement cost adjustment for assets having life of less than three years;



- (iv) taking cost of modern equivalent asset, when existing asset is not available due to change in technology or old asset is replaced by modern equivalent asset,
- (v) indicating holding gain or loss and supplementary depreciation;
- (vi) indicating the change in operating expenditure when an old asset is replaced by a modern equivalent asset.

22.6Is there any similarity in the objectives of reporting under Cost Audit and Accounting Separation Report?

The mandatory requirement for cost audit prescribed by the Ministry of Corporate Affairs under the Cost Accounting Record Rules, 2011, it is seen that although the information called for and audited under the Cost Accounts Record Rules/ Cost Audit and the Accounting Separation Reporting/ASR Audit appears to be similar, the objectives and requirements are different. The TRAI needs focused reporting of separated accounting information for discharging its regulatory obligations. Specific reporting and audit requirements for ASR have therefore been retained in the above regulations notified by the TRAI.

22.7Changes made in New Regulations 2012 on ASR vis-à-vis old Regulations 2004:

The following changes have been made through “The Reporting System on Accounting Separation Regulations, 2012” as compared to “The Reporting System on Accounting Separation Regulations, 2004”:

22.7.1 The Proformae for submission of ASR have been revised as in Schedule III to the Regulation 2012. The number of formats to be submitted have been reduced and rationalised by merging some of the formats prescribed in Regulation 2004.

- (a) Old Proforma A and C have been merged into one format- (Proforma B- Profit and Loss Statement – Product)
- (b) Old Proforma B is now modified as Proforma A (Profit and Loss Statement- Service)
- (c) Old Proforma D, E and F have been merged into one format-(Proforma C – cost sheet- Network Elements)
- (d) Reconciliation of P&L Account (Old Proforma J) and Capital Employed (Old Proforma- K) with the annual audited accounts will now be done at company level covering all the services in a single format- (Proforma I- Reconciliation Statement)

22.7.2 New formats have been added for reporting on the following:

- (a) Formats for showing cost of support functions and its allocation / apportionment to the products / network elements, as the same was an information reporting gap in Regulation 2004. (Proforma D- Cost Sheet Support Functions/ Departments).
- (b) Format for showing product wise capital employed as the same was an information gap. (Proforma G- Capital Employed- Allocation to Products). But old Proforma H has been removed in lieu of this format.
- (c) Format for reporting related party transactions. (Proforma H- Statement of Related Party Transactions)

22.7.3 The brief basis of the allocation/ apportionment made of the support functions/ net-work elements cost/ capital employed will have to be indicated in the relevant formats (Proforma D- Cost Sheet Support Functions/Departments; Proforma C- Cost Sheet- Network Elements; Proforma G- Capital Employed- Allocation to Products) for ready reference. This will ensure that the method followed by the service provider in preparation of ASR is same as outlined by them in their Accounting Separation Manual.

22.8Periodicity of submission of report - (1) Every service provider shall submit to the Authority within six months of the end of the accounting year: -

- (a) yearly audited reports based on the Historical Cost Accounting; and
- (b) every second accounting year, audited reports based on Replacement Cost Accounting

(2) The reports referred to in sub-regulation (1) shall be submitted in hard copy and in soft copy in MS Excel format along with its formulae and linkage;



Provided that the Authority may by direction specify any other method including on-line submission of report.

- (3) The accounting year shall be same as followed by the company for preparation of the annual financial accounts under sub section (4) of section 210 of the Companies Act, 1956.

Provided that, if accounting year exceeds fifteen calendar months, the service provider shall submit the reports in two parts – one part comprising report of twelve month and the second part comprising of balance period.

- (4) Every report submitted to the Authority under sub-regulation (1) shall be accompanied by the relevant portion of the manual containing description of accounting policies for allocation and apportionment of revenue, cost, assets and liabilities and the basis of cost allocation and apportionment employed.

22.9 Audit –

- (1) Every service provider shall appoint an auditor qualified for appointment as an auditor under section 224 or **233B of the Companies Act, 1956** to audit the reports prepared by the service provider under regulation 4 of these regulations and obtain the audit report from the auditor in the proforma specified in Schedule IV to these regulations.
- (2) The reports prepared by the service provider under regulation 4 of these regulations shall be adopted by the Board of Directors of the company and shall be signed by the authorized signatory before submitting the same to Auditor appointed under sub-regulation (1).
- (3) The reports prepared by the service provider under regulation 4 of these regulations and the audit report referred to in sub-regulation (1) shall be signed by the Auditor or a partner, if a firm is appointed as an Auditor.
- (4) The service provider shall furnish to the Authority the audited reports alongwith audit report given by the Auditor referred to in sub-regulation (1).

22.10 Consequence of Non-Submission of Reports or furnishing false information

In regulation 5, the TRAI prescribed for submission of audited Accounting Separation Reports by specified service providers within six months of the end of accounting year to the Authority based on Historical Cost Accounting on yearly basis and Replacement Cost Accounting on every second accounting year.

Several instances of delay in submission of audited Accounting Separation Reports by the service providers were noticed. Also, there had been cases where incomplete/incorrect information was submitted in the audited Accounting Separation Reports of the service providers. Such actions of the service providers defeat the very purpose of calling for the financial & non-financial information by the TRAI. The Accounting Separation Regulations notified on 11th April 2013 did not contain any provision to disincentivize delay in submission of prescribed reports or submission of incomplete/incomplete information in the reports by the service providers. In order to ensure timely submission of complete and correct reports under regulation 5 of The Reporting System on Accounting Separation Regulations, 2012 (7of 2012) notified on 11th April 2012, has been amended to provide for some financial disincentives imposed on the defaulting service providers. In view of this, a new regulation 5A has been inserted as follows:

“5A. Consequences for failure of the service provider to submit reports, statements or making or furnishing of false statements and information:

- (1) *If any service provider contravenes the provisions of regulation 5, it shall without prejudice to the terms and conditions of its licence or the provisions of the Act or rules or regulations or orders made, or, directions issued, thereunder, be liable to pay an amount, by way of financial disincentive, not exceeding five lakh rupees and, in case the default continues for more than fifteen days, additional amount not exceeding fifty thousand rupees for every day after fifteen days during which the default continues, as the Authority may, by order, direct.*

Provided that for every subsequent contravention, the service provider shall be liable to pay an amount, by way of financial disincentive, not exceeding ten lakh rupees and, in case the default continues for more than fifteen days, additional amount not exceeding one lakh rupees for every day after fifteen days during which the default continues, as the Authority may, by order, direct:



(2) If the report furnished by the service provider under regulation 5 is false and which such service provider knows or believes to be false or does not believe to be true, or omits any material fact knowing it to be material, it shall, without prejudice to the terms and conditions of its licence, or the provisions of the Act or rules or regulations or order made, or, direction issued thereunder, be liable to pay an amount, by way of financial disincentive, not exceeding ten lakh rupees, as the Authority may, by order, direct.

(3) No order for payment of any amount by way of financial disincentive shall be made by the Authority unless the service provider has been given a reasonable opportunity of representing against the contravention of the regulations observed by the Authority.”

22.11 List of Proformae to be submitted under Accounting Separation Reports:

The following Proformae have been prescribed in Schedule III to Regulations:

List of Proformae			
Sl No.	Proforma	Description of the Proforma	
1	Proforma A	Profit and Loss Statement - Service	
2	Proforma B	Profit and Loss Statement - Product	
3	Proforma C	Cost Sheet - Network Elements	
4	Proforma D	Cost Sheet - Support Functions/Departments	
5	Proforma E	Statement of Gross Block, Depreciation and Net Block - Service	
6	Proforma F	Capital Employed Statement- Service	
7	Proforma G	Capital Employed Statement: Allocation to Products	
8	Proforma H	Statement of Related Party Transactions	
9	Proforma I	Reconciliation Statement (covering all services and area of operations) with Audited Financial Statements.	
10	Proforma J	Statement of Non financial information for each service	
Proforma A			
PROFIT & LOSS STATEMENT - SERVICE			
Name of The Company :			
Name of Service:			
Geographical Area of Operation :			
Period :			
Cost Base: Historical Cost Accounting / Replacement Cost Accounting			
			(Rs in Lakh)
S No.	Particulars	Current Year	Previous Year



1	REVENUES (NET OF SERVICE TAX) :		
1.1	Wholesale Revenue		
1.1.1	<i>Sale - Outside Group*</i>		
1.1.2	<i>Sale - Within Group/ Company</i>		
1.2	Retail Revenue		
	Total		
1.3	Less: Pass through Charges:		
1.3.1	<i>To Access Service Providers</i>		
1.3.2	<i>To NLD Operators</i>		
1.3.3	<i>To ILD Operators</i>		
1.3.4	<i>Others (please specify)</i>		
1.4	<i>Revenue(net of Pass through)</i>		
2	COSTS:		
2.1	Employees cost:		
2.1.1	Salaries and wages		
2.1.2	Contribution to provident fund and other funds		
2.1.3	Staff welfare		
2.1.4	Training and recruitment		
2.1.5	Others (please specify)		
	Sub total		
2.2	Administration cost:		
2.2.1	Rent (Other than Network Element Equipments and Cell sites)		
2.2.2	Rates and taxes		
2.2.3	Insurance charges (Other than Network Element Equipments)		
2.2.4	Communication costs		



2.2.5	Electricity		
2.2.6	Travel and conveyance expenses		
2.2.7	Legal and professional charges		
2.2.8	Printing and stationery		
2.2.9	Audit fees		
2.2.10	Outsourcing Charges		
2.2.11	Porting Charges for MNP		
2.2.12	Others (please specify)		
	Sub total		
2.3	Sales and Marketing cost:		
2.3.1	Advertisement and business promotion expenses		
2.3.2	Sales commission		
2.3.3	Provision for bad and doubtful debts		
2.3.4	Bad debts write off		
2.3.5	Outsourcing (Billing Services and Customer Care Services)		
2.3.6	Others (please specify)		
	Sub total		
2.4	Maintenance cost:		
2.4.1	Annual maintenance charges		
2.4.2	Network Consumables		
2.4.3	Repairs and maintenance:		
2.4.3.1	Buildings		
2.4.3.2	Plant and machinery		
2.4.3.3	Others		
2.4.4	Outsourcing Charges for Maintenance activities		
2.4.5	Others (please specify)		



Sub total			
S No.	Particulars	Current Year	Previous Year
2.5	Government charges:		
2.5.1	License fee		
2.5.2	License fee penalty, if any		
2.5.3	WPC charges:		
2.5.3.1	Radio Spectrum Charges		
2.5.3.2	Microwave Charges		
2.5.4	Others (please specify)		
	Sub total		
2.6	Network operating Cost:		
2.6.1	Leased Circuits and Gateway Charges		
2.6.2	Royalty for technical know how fees		
2.6.3	Rent (Network Element Equipments and Cell sites)		
2.6.4	Power and fuel		
2.6.5	Interconnection:		
2.6.5.1	Port charges		
2.6.5.2	Others (please specify)		
2.6.6	Passive Infrastructure Charges:		
2.6.6.1	paid within group/ company		
2.6.6.2	paid outside group		
2.6.7	Insurance Charges (Network Element Equipments)		
2.6.8	Outsourcing Charges for Network Element Equipments		
2.6.9	Others (please specify)		
	Sub-total		



2.7	Depreciation and Amortisation:		
2.7.1	Depreciation on Building		
2.7.2	Depreciation on Plant and machinery		
2.7.3	Depreciation on Others (please specify)		
2.7.4	Amortisation of one time entry fee for 3G services		
2.7.5	Amortisation of license fee/entry fees etc. (other than 3G)		
	Sub-total		
2.8	Other cost:		
2.8.1	Loss on sale of fixed assets(net)		
2.8.2	Corporate office expenses		
2.8.3	Others (please specify)		
	Sub-total		
2.9	Finance charges (Refer Note 1)		
2.9.1	Bank charges		
2.9.2	Others (please specify)		
	Sub-total		
2.10	TOTAL COST		
3	Profit & Loss Before Interest and Tax		
4	Replacement Cost Adjustment (Refer Note 2)		
4.1	Holding gain/Loss		
4.2	Supplementary Depreciation		
4.3	Change in Operating Cost due to replacement of assets		
4.4	Total adjustment		
5	Profit & Loss Before Interest and Tax		



	Total Capital Employed		
	Return on Capital Employed (%)		
	Return on turnover (%)		
<p>* Group mean the parties defined as "Related Party" in the Regulation Notes: 1 Excluding interest on loans/borrowed funds 2 Relevant for reporting on the basis of Replacement Cost Accounting. 3 This Proforma shall be prepared for each service separately as prescribed in Schedule I to Regulation</p>			

Proforma B						
PROFIT & LOSS STATEMENT - PRODUCT						
Name of The Company :						
Name of Service:						
Geographical Area of Operation :						
Period :						
Cost Base: Historical Cost Accounting / Replacement Cost Accounting						
(Rs in Lakh)						
S No.	Particulars	Product Type (See Note 1)				Total
		Product A	Product B	Product C	Product.....	
1	REVENUES (NET OF SERVICE TAX)					
1.1	Wholesale Revenue					
1.1.1	<i>Sale - Outside Group*</i>					
1.1.2	<i>Sale - Within Group/ Company</i>					
1.2	Retail Revenue					
	Total Revenue					
1.3	Less: Pass through Charges					
1.3.1	<i>To Access Service Providers</i>					
1.3.2	<i>To NLD Operators</i>					
1.3.3	<i>To ILD Operators</i>					
1.3.4	<i>Others (please specify)</i>					



1.4	Revenue(net of Pass through)					
	COSTS:					
2	PRODUCT DIRECT COST					
2.1	Employee cost					
2.1.1	Salaries and wages					
2.1.2	Contribution to provident fund and other funds					
2.1.3	Staff welfare					
2.1.4	Training and recruitment					
2.1.5	Others (please specify)					
	Sub total					
2.2	Administration cost					
2.2.1	Rent (Other than Network Element Equipments and Cell sites)					
2.2.2	Rates and taxes					
2.2.3	Insurance charges (Other than Network Element Equipments)					
2.2.4	Communication costs					
2.2.5	Electricity					
2.2.6	Travel and conveyance expenses					
2.2.7	Legal and professional charges					
2.2.8	Printing and stationery					
2.2.9	Audit fees					
2.2.10	Outsourcing Charges					
2.2.11	Porting Charges for MNP					
2.2.12	Others (please specify)					
	Sub total					
2.3	Sales and Marketing cost					



2.3.1	Advertisement and business promotion expenses					
2.3.2	Sales commission					
2.3.3	Provision for bad and doubtful debts					
2.3.4	Bad debts write off					
2.3.5	Outsourcing (Billing Services and Customer Care Services)					
2.3.6	Others (please specify)					
	Sub total					
2.4	Maintenance cost					
2.4.1	Annual maintenance charges					
2.4.2	Network Consumables					
2.4.3	Repairs and maintenance:					
2.4.3.1	Buildings					
2.4.3.2	Plant and machinery					
2.4.3.3	Others					
2.4.4	Outsourcing Charges for Maintenance activities					
2.4.5	Others (please specify)					
	Sub total					
2.5	Government charges					
2.5.1	License fee					
2.5.2	License fee penalty, if any					
2.5.3	WPC charges:					
2.5.3.1	Radio Spectrum Charges					
2.5.3.2	Microwave Charges					
2.5.4	Others (please specify)					
	Sub total					



2.6	Network operating Cost:					
2.6.1	Leased Circuits and Gateway Charges					
2.6.2	Royalty for technical know how fees					
2.6.3	Rent (Network Element Equipments and Cell sites)					
2.6.4	Power and fuel					
2.6.5	Interconnection:					
2.6.5.1	Port charges					
2.6.5.2	Others (please specify)					
2.6.6	Passive Infrastructure Charges:					
2.6.6.1	paid within group/ company					
2.6.6.2	paid outside group					
2.6.7	Insurance Charges (Network Element Equipments)					
2.6.8	Outsourcing Charges for Network Element Equipments					
2.6.9	Others (please specify)					
	Sub-total					
2.7	Depreciation and Amortisation:					
2.7.1	Depreciation on Building					
2.7.2	Depreciation on Plant and machinery					
2.7.3	Depreciation on Others (please specify)					
2.7.4	Amortisation of one time entry fee for 3G services					
2.7.5	Amortisation of license fee/entry fees etc. (other than 3G)					
	Sub-total					
2.8	Other cost:					
2.8.1	Loss on sale of fixed assets(net)					
2.8.2	Corporate office expenses					
2.8.3	Others (please specify)					
	Sub-total					



2.9	Finance charges (Refer Note 1)					
2.9.1	Bank charges					
2.9.2	Others (please specify)					
	Sub-total					
	TOTAL Direct Cost (1)					
3	Network Element Cost (refer note 3):					
3.1	Network Element 1					
3.2	Network Element 2					
3.3	Network Element 3					
3.4	Network Element 4					
3.5	Network Element 5					
3.6	Network Element.....					
	NETWORK ELEMENT COST (111)					
4.0	SUPPORT FUNCTION / DEPARTMENT COST (refer note 4)					
5.0	Total Cost (1+11+111)					
6.0	Profit & Loss Before Interest & Tax					
7.0	Replacement Cost Adjustment (Refer Note 2)					
7.1	Holding gain/Loss					
7.2	Supplementary Depreciation					
7.3	Change in Operating Cost due to replacement of assets					
7.4	Total adjustment					
8.0	Profit & Loss Before Interest & Tax					
	Total Capital Employed					
	Return on Capital Employed (%)					
	Return on Turnover (%)					

* Group means the parties defined as "Related Party" in the Regulation

Notes:

1. This sheet is to be prepared for each relevant Product as prescribed in Schedule I to Regulation
2. Excluding interest on loans/borrowed funds
3. As transferred from Proforma C



4. As transferred/apportioned from Proforma D
5. Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
6. The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant

Proforma C					
COST SHEET: NETWORK ELEMENTS					
Name of The Company :					
Name of Service:					
Geographical Area of Operation :					
Period :					
Cost Base: Historical Cost Accounting / Replacement Cost Accounting					
					(Rs in Lakh)
S No.	Particulars	Network Element 1	Network Element 2	Network Element....	Total
	COSTS:				
1	NETWORK DIRECT COST				
1.1	Employee cost				
1.1.1	Salaries and wages				
1.1.2	Contribution to provident fund and other funds				
1.1.3	Staff welfare				
1.1.4	Training and recruitment				
1.1.5	Others (please specify)				
	Sub total				
1.2	Administration cost				
1.2.1	Rent (Other than Network Element Equipments and Cell sites)				
1.2.2	Rates and taxes				
1.2.3	Insurance charges (Other than Network Element Equipments)				
1.2.4	Communication costs				
1.2.5	Electricity				
1.2.6	Travel and conveyance expenses				



1.2.7	Legal and professional charges				
1.2.8	Printing and stationery				
1.2.9	Audit fees				
1.2.10	Outsourcing Charges				
1.2.11	Porting Charges for MNP				
1.2.12	Others (please specify)				
	Sub total				
1.3	Sales and Marketing cost				
1.3.1	Advertisement and business promotion expenses				
1.3.2	Sales commission				
1.3.3	Provision for bad and doubtful debts				
1.3.4	Bad debts write off				
1.3.5	Outsourcing (Billing Services and Customer Care Services)				
1.3.6	Others (please specify)				
	Sub total				
1.4	Maintenance cost				
1.4.1	Annual maintenance charges				
1.4.2	Network Consumables				
1.4.3	Repairs and maintenance				
1.4.3.1	Buildings				
1.4.3.2	Plant and machinery				
1.4.3.3	Others				
1.4.4	Outsourcing Charges for Maintenance activities				
1.4.5	Others (please specify)				



	Sub total				
1.5	Government charges				
1.5.1	License fee				
1.5.2	License fee penalty, if any				
1.5.3	WPC charges:				
1.5.3.1	Radio Spectrum Charges				
1.5.3.2	Microwave Charges				
1.5.4	Others (please specify)				
	Sub total				
1.6	Network operating Cost				
1.6.1	Leased Circuits and Gateway Charges				
1.6.2	Royalty for technical know how fees				
1.6.3	Rent (Network Element Equipments and Cell sites)				
1.6.4	Power and fuel				
1.6.5	Interconnection:				
1.6.5.1	Port charges				
1.6.5.2	Others (please specify)				
1.6.6	Passive Infrastructure Charges:				
1.6.6.1	paid within group/ company				
1.6.6.2	paid outside group				
1.6.7	Insurance Charges (Network Element Equipments)				
1.6.8	Outsourcing Charges for Network Element Equipments				
1.6.9	Others (please specify)				
	Sub-total				



1.7	Depreciation and Amortisation				
1.7.1	Depreciation on Building				
1.7.2	Depreciation on Plant and machinery				
1.7.3	Depreciation on Others (please specify)				
1.7.4	Amortisation of one time entry fee for 3G services				
1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)				
	Sub-total				
1.8	Other cost				
1.8.1	Loss on sale of fixed assets(net)				
1.8.2	Corporate office expenses				
1.8.3	Others (please specify)				
	Sub-total				
1.9	Finance charges (Refer Note 1)				
1.9.1	Bank charges				
1.9.2	Others (please specify)				
	Sub-total				
	TOTAL COST				
1.10	Replacement Cost Adjustment (Refer Note 2)				
1.10.1	Holding gain/Loss				
1.10.2	Supplementary Depreciation				
1.10.3	Change in Operating Cost due to replacement of assets				
1.10.4	Total adjustment				



	TOTAL NETWORK DIRECT COST (I)				
2	COST TRANSFERRED FROM SUPPORT FUNCTION / DEPARTMENT				
2.1	Dept 1				
2.2	Dept 2				
2.3	Dept 3				
2.4	Dept.....				
	TOTAL SUPPORT FUNCTIONS/DEPARTMENT COST (II)				
3	TOTAL NETWORK COST (I+II)				
	COMPUTATION OF AVERAGE PER UNIT COST OF NETWORK ELEMENT				
	Total Usage (As relevant - No of subscribers / MoU / bandwidth etc.)				
	Average Cost per Unit				

ALLOCATION OF COST OF NETWORK COST TO PRODUCTS					
Particulars	Basis of Allocation	Product A	Product B	Product C	Product....
Network Element 1					
Network Element2					
Network Element.....					
Total					

Notes:

1. Excluding interest on loans / borrowed funds
2. Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
3. In case there is any Joint network element with any other service, the cost of the same will be split and shown under the respective service wise cost sheet.
4. The list of Network elements is provided in Schedule II to Regulation. The service provider should use this list. In case any Network element is not relevant, the same may be shown as Nil.
5. The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant



Proforma D
 COST SHEET: SUPPORT FUNCTIONS/DEPARTMENTS
 Name of The Company :
 Name of Service:
 Geographical Area of Operation :
 Period :
 Cost Base: Historical Cost Accounting / Replacement Cost Accounting

(Rs in Lakh)

S No.	Particulars	Deptt 1	Deptt 2	Deptt 3	Deptt 4	Deptt 5	Others	Total
	COSTS							
1.1	Employee cost							
1.1.1	Salaries and wages							
1.1.2	Contribution to provident fund and other funds							
1.1.3	Staff welfare							
1.1.4	Training and recruitment							
1.1.5	Others (please specify)							
	Sub total							
1.2	Administration cost							
1.2.1	Rent (Other than Network Element Equipments and Cell sites)							
1.2.2	Rates and taxes							
1.2.3	Insurance charges (Other than Network Element Equipments)							
1.2.4	Communication costs							
1.2.5	Electricity							
1.2.6	Travel and conveyance expenses							
1.2.7	Legal and professional charges							
1.2.8	Printing and stationery							
1.2.9	Audit fees							



1.2.10	Outsourcing Charges								
1.2.11	Porting Charges for MNP								
1.2.12	Others (please specify)								
	Sub total								
1.3	Sales and marketing cost								
1.3.1	Advertisement and business promotion expenses								
1.3.2	Sales commission								
1.3.3	Provision for bad and doubtful debts								
1.3.4	Bad debts write off								
1.3.5	Outsourcing (Billing Services and Customer Care Services)								
1.3.6	Others (please specify)								
	Sub total								
1.4	Maintenance cost								
1.4.1	Annual maintenance charges								
1.4.2	Network Consumables								
1.4.3	Repairs and maintenance								
1.4.3.1	Buildings								
1.4.3.2	Plant and machinery								
1.4.3.3	Others								
1.4.4	Outsourcing Charges for Maintenance activities								
1.4.5	Others (please specify)								
	Sub total								
1.5	Government charges								
1.5.1	License fee								
1.5.2	License fee penalty, if any								



1.5.3	WPC charges:								
1.5.3.1	Radio Spectrum Charges								
1.5.3.2	Microwave Charges								
1.5.4	Others (please specify)								
	Sub total								
1.6	Network operating Cost								
1.6.1	Leased Circuits and Gateway Charges								
1.6.2	Royalty for technical know how fees								
1.6.3	Rent (Network Element Equipments and Cell sites)								
1.6.4	Power and fuel								
1.6.5	Interconnection:								
1.6.5.1	Port charges								
1.6.5.2	Others (please specify)								
1.6.6	Passive Infrastructure Charges:								
1.6.6.1	paid within group/ company								
1.6.6.2	paid outside group								
1.6.7	Insurance Charges (Network Element Equipments)								
1.6.8	Outsourcing Charges for Network Element Equipments								
1.6.9	Others (please specify)								
	Sub-total								
1.7	Depreciation and Amortisation								
1.7.1	Depreciation on Building								
1.7.2	Depreciation on Plant and machinery								
1.7.3	Depreciation on Others (please specify)								
1.7.4	Amortisation of one time entry fee for 3G services								



1.7.5	Amortisation of license fee/entry fees etc. (other than 3G)							
	Sub-total							
1.8	Other cost							
1.8.1	Loss on sale of fixed assets(net)							
1.8.2	Corporate office							
1.8.3	Others (please specify)							
	Sub-total							
1.9	Finance charges (Refer note 1)							
1.9.1	Bank charges							
1.9.2	Others (please specify)							
	Sub-total							
	TOTAL COST							
1.10	Replacement Cost Adjustment (Refer Note 2)							
1.10.1	Holding gain/Loss							
1.10.2	Supplementary Depreciation							
1.10.3	Change in Operating Cost due to replacement of assets							
1.10.4	Total adjustment							
	TOTAL COST - SUPPORT FUNCTIONS/DEPARTMENTS							

ALLOCATION OF COST OF SUPPORT FUNCTION/DEPARTMENT TO PRODUCT / NETWORK ELEMENTS							
(Rs in Lakh)							
Departments	Deptt 1	Deptt 2	Deptt 3	Deptt 4	Deptt 5	Others	Total
<i>Allocation to Products</i>							



Product A								
Product B								
Product C								
Product D								
Product E								
Product								
Allocation to Network Elements								
Network Element 1								
Network Element 2								
Network Element 3								
Network Element 4								
Network Element 5								
Network Element.....								
Total								

- 1 1 Excluding interest on loans/borrowed funds
- 2 2 Replacement cost adjustment is to be used when report is made on the basis of Replacement Cost Accounting.
- 3 3 The common cost of the Corporate office / regions shall be allocated at the circles
- 4 4 The cost heads shown under Direct Cost are to be filled in as relevant. The Nil figure to be shown in the line items which are not relevant
- 5 5 The indicative List of departments is provided below.

BASIS OF APPORTIONMENT								
	List of Departments	Basis of Apportionment*						
	Marketing							
	Billing							
	Customer Care							
	Call Centre							
	Credit Control							
	Sales and marketing							



	Others									
	Network Operations & Maintenance									
	Network Management									
	Network Maintenance									
	Others									
	General Administration									
	F&A									
	HR									
	IT / EDP									
	Legal / regulatory									
	Materials									
	Corporate Office									
	Others									
	Other Departments.....									

* such as No. of subscribers/ no. of Bills / budgeted usage / No. of employees / Area / Fixed Assets base etc.

Particulars	Land	Building	Plant and machinery	Computers	Office equipment	Furniture and fixtures	Vehicles	Licenses	Patents / Technical know how	Others	Total
NETWORK ELEMENTS (refer note 1)											

Sub Total (A)											
PRODUCTS											



Subtotal (B)											
SUPPORT FUNCTIONS/DEPARTMENTS											

Sub Total (C)											
TOTAL (A+B+C)											

Notes:

1. As prescribed in Schedule II to regulations
2. Separate Forms for Fixed Asset (Gross Block/ Net Block) and Accumulated Depreciation.
3. Form should specifically mention whether it is prepared on Historical cost basis or replacement cost
4. A statement indicating Rate of Depreciation charged during the reporting period on various Fixed Assets will be annexed to proforma E

Proforma F								
<u>CAPITAL EMPLOYED STATEMENT- SERVICE</u>								
<u>Name of The Company :</u>								
<u>Name of Service:</u>								
<u>Geographical Area of Operation :</u>								
<u>Period :</u>								
<u>Cost Base: Historical Cost Accounting / Replacement Cost Accounting</u>								
(Rs in Lakh)								
Particulars	Current Year				Previous Year			
	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 2)	Total/ Net Replacement Cost (refer note 2)
FIXED ASSETS - Gross Book Value :								
Tangible Assets								



Land								
Building								
Plant and machinery								
Computers								
Office equipment								
Furniture and fixtures								
Vehicles								
Intangible Assets								
License								
Patents / technical know how								
Others								
Total Fixed Assets								
Less: Accumulated Depreciation								
NET BOOK VALUE OF FIXED ASSETS (I)								
CAPITAL WORK IN PROGRESS (II)								
CURRENT ASSETS:								
Inventories								



Cash and bank balance								
Debtors								
Loans and advances								
Others (please specify)								
Sub total								
CURRENT LIABILITIES:								
Trade Payables								
Provisions								
Security deposits								
Advance rentals								
Other (please specify)								
Sub total								
NET WORKING CAPITAL (III)								
TOTAL CAPITAL EMPLOYED (I + II + III)								
Weighted Average Cost of Capital i.e. WACC (in %)								

Notes:

1. Capital Employed is the closing capital employed at the end of the Accounting period.
2. Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on



the basis of Replacement Cost Accounting.

- WACC is pre tax Weighted Average Cost of Capital. Statement of computation of pre tax WACC should be attached.

Proforma G CAPITAL EMPLOYED STATEMENT: ALLOCATION TO PRODUCTS								
Name of The Company : Name of Service: Geographical Area of Operation : Period : Cost Base: Historical Cost Accounting / Replacement Cost Accounting								
								(Rs in Lakh)
Products	Current Year				Previous Year			
	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 4)	Total/ Net Replacement Cost (refer note 4)	Network Elements	Other	Adjustment for replacement cost of Assets (refer note 4)	Total/ Net Replacement Cost (refer note 4)
Product A								
Product B								
Product C								
Product D								
Product E								
Product F								
Products.....								
TOTAL								

Notes:

- The capital employed for network elements may be allocated to the individual network elements in the ratio of fixed assets value for the respective network elements. The attribution of capital employed of network elements to the products would be similar to the method of allocation / apportionment of network element cost to products (i.e. based on usage, number on connections, bandwidth etc).
- The capital employed for 'Others' shall be directly attributed to the product wherever directly identifiable. The balance may be apportioned using general allocator such as revenue, cost etc as considered appropriate.
- Capital Employed is the closing capital employed at the end of the Accounting period.
- Replacement cost Adjustment and Net Replacement Cost is relevant for reports prepared on the basis of Replacement Cost Accounting.



Particulars	Unit of Measurement (refer note 1)	Sale - Outside Group (refer note 2)			Sale - Within Group/ Company		
		Volume	Revenue (Rs Lakhs)	Per Unit (Rs)	Volume	Revenue (Rs Lakhs)	Per Unit (Rs)
Product A							
Product B							
Product C							
Product D							
Product E							
Product F							
Products.....							
TOTAL							

Note:

1. Number of Calls, Minutes of Usage, number of messages etc.
2. Group mean the parties defined as "Related Party" in the Regulation. Separate information to be provided for each company separately with in Group



Proforma I

RECONCILIATION STATEMENT (COVERING ALL SERVICES AND AREA OF OPERATION) WITH AUDITED FINANCIAL STATEMENTS

Name of The Company :

Name of Service: Consolidated for all telecom services

Geographical Area of Operation : Service provider as a whole covering all telecom services

Period :

Cost Base: Historical Cost Accounting

(Rs in Lakh)

Sl No.	Particulars	Telecom Services (refer Note 1)											Inter Service Adjustment (if any)	Total of Services (net of inter service adjustment)	Other than telecom services as prescribed in Schedule I to Regulation	Reconciliation (refer note 2)	Total as per Audited Financial Statements	
		Access Service - Wireless (Full Mobility)	Access Service - WLL	Access Service - Wireline	Internet Service	National Long Distance Service	international Long Distance Service	Tower Business	Dark Fiber	Cable Landing Station	Mobile Number Portability	Very Small Aperture Terminal Service						
1	Revenue:																	
1.1	Revenue (net of service tax)																	
1.2	Less: pass through																	



1.3	Revenue (net of Pass through)																
2	Costs:																
2.1	Employee s Cost																
2.2	Administr ation Cost																
2.3	Sales and marketing Cost																
2.4	Maintena nce Cost																
2.5	Governm ent Charges																
2.6	Network operating Cost																
2.7	Depreciati on and Amortisati on																
2.8	Others Cost (please specify)																
2.9	Finance Charges (refer																



	<i>note 3)</i>																	
	TOTAL COST																	
3	Profit before Interest and Tax (PBIT)																	
4	Profit after Tax (PAT) (refer Note 4)																	
5	Capital Employed																	

Note:

1. For Telecom services, Revenues, costs and capital employed should be in agreement with Proforma A of that particular service.
2. A separate list shall be annexed with this Proforma for individual item / head of account having value more than Rs 10 crore.
3. Excluding interest on loans /borrowed funds
4. Not to be filled at each service level. Reconciliation may be done for consolidated PBIT of all telecom services with PAT of the Company.



PROFORMA J
NON FINANCIAL REPORT

(A) Statement of Non-Financial Information for Access Service – Wireless (provide separate for Full Mobility and WLL)

I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 Licensed Service Area
- 1.4 License Period
- 1.5 Date of commencement of commercial service

II. Subscriber Details

- 2.1 Number of subscribers (Please mention number of subscribers at the beginning and end of the year)

	Opening	Closing
Pre-Paid		
Post Paid		
Total Subscribers		

III. Traffic Details

- 3.1 Usage - Minutes/Numbers (in lakh)

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

- 3.2 Data Usage (in MB):
- 3.3 Total bandwidth (Mbps) sold through leased circuits:
- 3.4 Transmission Capacity Details

	Length in Route Kilometer
OFC:	
– Owned	
– Leased	
Microwave:	
– Owned	



– Leased	
Satellite	

3.5 Number of Towers:

	Owned	Leased
Ground Base Tower (GBT)		
Roof Top Tower (RTT)		
Roof Top Pole (RTP)		

(B) Statement of Non-Financial Information for Access Service- Wireline

I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 Service Area licensed
- 1.4 License Period
- 1.5 Date of commencement of commercial service

II. Subscriber Details

2.1 Details of DELs

	Total Capacity of DELs	Number of Subscribers
Urban		
Rural		
Total		

III. Traffic Details

3.1 Transmission Capacity Details:

	Length in Route Kilometer
OFC:	
– Owned	
– Leased	
Microwave:	
– Owned	
– Leased	



Satellite	
------------------	--

3.2 Minutes of usage/ Numbers (in lakh):

	On Net	Off Net Originating	Off Net Terminating	Total
(A) Voice (MoU)				
(B) Video (MoU)				
(C) SMS (Nos.)				
(D) MMS (Nos.)				

3.3 Data Usage (in MB):

3.4 Total bandwidth (Mbps) sold through leased circuits:

(C) Statement of Non-Financial Information for Internet Service

I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 License Category (please indicate whether A, B or C)/Licensed Area
- 1.4 License Period
- 1.5 Date of commencement of commercial service

II. Subscriber Details

2.1 Number of subscribers:

- (a) Internet Broadband
- (b) Internet (Other than Broadband)
- (c) IP TV

III. Network Information

3.1 Capacity details:

- (a) Total owned capacity (bandwidth in Mbps)
- (b) Capacity Leased in (bandwidth in Mbps)
- (c) Capacity Leased out (bandwidth in Mbps)

3.2 International Internet Bandwidth:


(D) Statement of Non-Financial Information for National Long Distance Service
I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 License Period
- 1.4 Date of Commencement of commercial service

II. Traffic Details

2.1 Details of Transmission Capacity available

	Length in Route Kilometer
OFC:	
– Owned	
– Leased	
Microwave:	
– Owned	
– Leased	
Satellite	

2.2 Voice Usage Minutes (carriage) (in lakh):

2.3 Managed Data Service (VPN/ CUG) (total bandwidth):

2.4 Total bandwidth (Mbps) sold through leased circuits:

(E) Statement of Non-Financial Information for International Long Distance Service
I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue/migration
- 1.3 License Period
- 1.4 Date of Commencement of commercial service

II. Traffic Details



2.1 Details of Transmission Capacity (in Mbps) available

Particulars	Capacity Utilisation			Total
	Capacity Sold- Retail	Capacity Sold- Leased Out	Captive Consumption	
Capacity Owned				
Capacity leased in				
Total Capacity				

2.2 Voice Usage Minutes (ILD) (in lakh):

- (a) Incoming
- (b) Outgoing

2.3 Managed Data Service (VPN/ CUG) (total bandwidth):

2.4 Total bandwidth (Mbps) sold through leased circuits:

(F) Statement of Non Financial Information for Tower Business Service**I. Basic Information**

Information as of (date)

- 1.1 Name of License/Registration
- 1.2 License/Registration No. and date of issue
- 1.3 Date of Commencement of commercial service

II. Towers Details

2.1 Number of Towers

Particulars	Ground Base Tower (GBT)	Roof Top Tower (RTT)	Roof Top Pole (RTP)
Number of Towers			
Average Tenancy Ratio			



I. Basic Information

Information as of (date)

- 1.1 Name of License/Registration
- 1.2 License/Registration No. and date of issue
- 1.3 Date of Commencement of commercial service

II. Transmission Media Details

- 2.1 Total Number of Route Kilometers of OFC
- 2.2 Number of Route Kilometers sold/leased out

(H) Statement of Non Financial Information for Cable Landing Service

I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue
- 1.3 Date of Commencement of service

II. Capacity Details

- 2.1 Number of Cable Landing Stations:
- 2.2 Number of submarine cables landing at the Cable Landing Stations:
- 2.3 Capacity Utilisation:

				(in Mbps)
Particulars	Capacity Sold- Retail	Capacity Sold- - Leased Out	Captive Consumption	Total
Capacity Owned				
Capacity Leased in				
Total Capacity				

- 2.4 Number of ILDO/ISP to whom landing facility provided:
- 2.5 Number of ILDO/ISP to whom access facility provided:
- 2.6 Number of ILDO/ISP to whom co-location provided:



(Information in respect of 2.4,2.5 & 2.6 shall be given for the last day of financial year being reported)

(I) Statement of Non Financial Information for Mobile Number Portability

I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue
- 1.3 Date of Commencement of commercial service

II. Porting Details

- 2.1 Number of porting done:

(J) Statement of Non Financial Information for VSAT Service

I. Basic Information

Information as of (date)

- 1.1 Name of License
- 1.2 License No. and date of issue
- 1.3 Date of Commencement of commercial service

II. Subscribers/Capacity details

- 2.1 Number of Subscribers:
 - (a) Individual
 - (b) Closed User Group

SCHEDULE-IV

FORM OF AUDIT REPORT ON THE ACCOUNTING SEPARATION REPORT

I/We,.....having been appointed as the Auditor(s) under the requirements laid down in the Reporting System on Accounting Separation Regulation, 2012 (here in after referred to as the Regulation) issued by Telecom Regulatory Authority of India (here in after referred to as the Authority) by (mention name of the Company) having its registered office at (mention registered office address of the company) (here in after referred to as the Company) have audited the attached Accounting Separation Reports covering(mention name of service/geographical area)for the year ended (mention the accounting year) of the Company.

2 The Company is responsible for preparation of the Accounting Separation Reports and these have been approved by the Board of Directors of the Company. My/ Our responsibility is to audit the Accounting Separation Reports in accordance with the Regulation and generally accepted auditing standards in India.



- 3 Further to my/our comments/observations given in the enclosed Annexure (Annexure is required in case there are comments/observations on Accounting Separation Reports), I/We report that:
- (a) I / we have received all the information and explanations, which to the best of my/our knowledge and belief were necessary for the purpose of my/our audit.
 - (b) In my / our opinion proper books of account have been kept by the Company so far as appears from my / our examination of those books to enable the preparation of complete and proper Accounting Separation Reports in accordance with the Regulation.
 - (c) The Accounting Separation Reports for the year ended are in agreement with the books of accounts and have been properly drawn up in accordance with the Regulation and the methods and basis laid down in the Manual of the Company prescribed under the Regulation.
 - (d) In my/our opinion, and to the best of my/our information and according to the explanations given to me/us, the Accounting Separation Reports for the year ended..... give the information required by the Regulation in the manner so required and give a true and fair view in conformity with the framework as per the Regulation.
- 4 I/ We also report that all changes to the Manual prescribed under Regulation that materially affect the Accounting Separation Reports for the year endedhave been filed with the Authority by the Company.

Dated :

Place :

Signature

Name of Proprietor/Partner

Membership No.

Name of the Firm with Stamp (Seal)



4.6 Audit for Metering and Billing Accuracy

Vide Notification F.No. 305-8/ 2004 (QoS) dated 21 March, 2006, the Regulation on “**Quality of Service (Code of Practice for Metering and Billing Accuracy) Regulation 2006**” has been issued. The relevant extra is reproduced below:

The above regulation shall be applicable to all the Basic Service Providers, Unified Access Service Providers and Cellular Mobile Telephone Service Providers, including Mahanagar Telephone Nigam Limited and Bharat Sanchar Nigam Limited.

Auditing of Metering and Billing System:

The Authority shall notify the panel of auditors to certify the Metering and Billing System of service providers. The service providers shall arrange audit of their Metering and Billing System in compliance with this regulation on an annual basis through any one of the auditors as may be notified by the Authority and an audit certificate thereof shall be furnished to the Authority not later than 30th June of every year.

6. Auditing

‘**Quality of Service of Broadband Service Regulations 2006’ (11 of 2006)** notified by TRAI vide Notification No. **304-6/ 2004-QoS** dated 6th October 2006 provides for the Audit as per Regulation 6, which is reproduced below:

“6.1 The service providers shall maintain complete and accurate records of Service Provisioning /Activation, Fault Repair/ Restoration, Billing Complaints, Response Time to the Customer for assistance, Bandwidth Utilization/ Throughput, Service Availability/Uptime, Packet Loss and Latency measurements.

6.2 Network performance parameters like Bandwidth Utilisation/Throughput including Broadband Connection Speed, Packet Loss and Latency shall be measured on sample basis by the Authority from time to time, directly or if need so arises, through an independent agency.

6.3 The Authority shall audit / inspect, either directly or through an independent agency, the records relating to the reporting of compliance to the QoS parameters. The Authority, if it thinks fit, may require the service providers to get the reports submitted to the Authority audited, at its own cost, through independent and qualified agencies.”

4.7 Inspection and Auditing under Telecom Consumers Protection and Redressal of Grievances Regulations, 2007

Vide Notification F. No. 303-10/2006-QoS dated 4th May, 2007

These regulations shall apply to (a) all service providers [including Bharat Sanchar Nigam Limited and Mahanagar Telephone Nigam Limited], being the companies registered under the Companies Act, 1956 (1 of 1956)] providing,--

- (vi) Basic Telephone Service;
- (vii) Unified Access Services;
- (viii) Cellular Mobile Telephone Service;

(b) all service providers (including the Bharat Sanchar Nigam Limited and the Mahanagar Telephone Nigam Limited) providing Broadband Service:

Provided that nothing contained in these regulations shall apply to an Internet Service Provider whose turnover in any preceding financial year does not exceed rupees five crores or whose total number of Broadband subscribers in any preceding financial year does not exceed ten thousand numbers, as the case may be.

Regulation 23: Inspection and Auditing.- (1) Every service provider, falling in clause (a) or clause (b) of sub-regulation (3) of regulation 1, shall maintain complete and accurate records of redressal of grievances by its Call Centres, Nodal Officers and appellate authorities.

(2) The Authority may, if it considers it expedient so to do, and to ensure compliance of the provisions of these



regulations, by order, in writing, direct any of its officers or employees or through an independent agency appointed by the Authority to-

(3) inspect any Call Centre, Office of the Nodal Officer and the secretariat of the appellate authority and the records maintained under sub-regulation (1); or,

(4) get the records maintained under sub-regulation (1) audited.

(5) The person or persons referred to in sub-regulation (2) shall submit to the Authority a report in respect of such inspection or audit, as the case may be.

(6) The Authority, if it considers it expedient so to do, may require the service provider referred to in sub-regulation (1) to get the records maintained under sub-regulation (1) audited through an independent agency as may be specified by the Authority and submit the report in 18 respect of such audit to the Authority and the cost of such audit shall be borne by the concerned service provider.

Inspection and audit of institutional mechanism:

Regarding the suggestion for independent audit, presently, the Authority has provided in the Regulation on Quality of Service of Basic and Cellular Mobile Telephone Service, 2005 and Quality of Service of Broadband Services Regulation, 2006 a parameter on "Response time to the customer for assistance" for reporting of the efficiency of the Call Centre. The Authority also undertakes objective assessment of Quality of Service Parameters for various services provided by the service providers through an independent agency. The efficiency of Call Centres in attending to the calls of consumers is also assessed by the agency through live tests. The Authority has also provided under the Quality of Service (Code of Practice for Metering and Billing Accuracy) Regulation, 2006 for audit of the billing system through the auditor appointed by the service provider from the panel of auditors notified by TRAI to certify the metering and billing system of service providers. However, this independent assessment of efficiency of Call Centres and audit of the metering and billing system do not cover the disposal of complaints by Call Centres. Therefore, the Authority has made suitable provisions in these regulations for inspection and audit by any of its officers, employees, person or persons appointed by it. The provision has also been made to direct the service provider to get the audit through an independent agency as may be specified by the Authority.



Chapter-23 Central Electricity Regulatory Commission (CERC)

CERC is a statutory body functioning under Section 76 of Electricity Act, 2003 (CERC was initially constituted under the Electricity Regulation Commission Act, 1998 on 24th July, 1998).

As entrusted by the Electricity Act, 2003 the Commission has the responsibility to discharge the following functions:-

Mandatory Functions:-

- to regulate the tariff of generating companies owned or controlled by the Central Government;
- to regulate the tariff of generating companies other than those owned or controlled by the Central Government specified in clause (a), if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one State;
- to regulate the inter-State transmission of electricity ;
- to determine tariff for inter-State transmission of electricity;
- to issue licences to persons to function as transmission licensee and electricity trader with respect to their inter-State operations;
- Improve access to information for all stakeholders.
- to adjudicate upon disputes involving generating companies or transmission licensee in regard to matters connected with clauses (a) to (d) above and to refer any dispute for arbitration;
- to levy fees for the purposes of the Act;
- to specify Grid Code having regard to Grid Standards;
- to specify and enforce the standards with respect to quality, continuity and reliability of service by licensees;
- to fix the trading margin in the inter-State trading of electricity, if considered, necessary;
- to discharge such other functions as may be assigned under the Act.

Advisory Functions:-

- formulation of National Electricity Policy and Tariff Policy;
- promotion of competition, efficiency and economy in the activities of the electricity industry;
- promotion of investment in electricity industry;
- any other matter referred to the Central Commission by the Central Government.

23.1 ROLE OF COST ACCOUNTANTS IN POWER SECTOR:

Power Sector has gone through a sea change on account of reforms implemented way back in 1990s and with the promulgation of new Electricity Act, 2003. Almost all the States have gone for the unbundling of age old Electricity Boards and corporatized various utilities carrying out different activities in power sector. In essence, generation, transmission and distribution business has been separated from each other and being managed by a corporate body. Trading has been recognized as a distinct activity and power trading license have been issued by the Regulatory Commissions to enable the power trader for purchase and sale of electricity. Open Access has been permitted to transmit the electricity from one corner to another corner of the country without any restrictions. Regulatory Commissions have been institutionalized to take care of tariff and other regulatory issues. Regulatory Commissions have come out with various Regulations, in consistent with the Act, for their smooth functioning. Commercial and financial issues on the basis of information submitted by the Utilities are to be vetted by financial/accounting experts. Moreover, thrust has been given on promoting competition, improving efficiency and economy so that benefit of



affordable and quality power is accrued to the ultimate consumers. Initiatives have been taken by the Government of India and other State Governments to procure power through competitive bidding process. Two Power Exchanges are in operation where a portion of the electricity are being have been purchased and sold every day.

With this background, the role of Cost and Management Accountants has increased manifold in Power Sector. Their services are required by the Regulators, Utilities, Traders, Power Developers, Investors and the likes.

The following role of Cost Accountants can be visualized:

- (i) With the unbundling of erstwhile State Electricity Boards the requirement of finance professionals at various levels like CEO and supporting staff has increased manifold;
- (ii) The Cost Accountant can play active role in electricity sector as staff of the power utilities and regulatory bodies;
- (iii) Independent analysts and independent practitioner.
- (iv) The cost accountants have statutory role to certify various information submitted by the utilities in formats specified by the Commissions for determination of generation, transmission and distribution tariff, renewable energy tariff, fees and charges of RLDCs and expected revenue requirement under section 62(5) of the Act.
- (v) They are authorised to carryout Cost Audit of the utilities in power sector, as is required to be done under various statutory provisions.
- (vi) The Cost Accountant can assist regulatory bodies in tariff determination.
- (vii) Similarly, their services could be hired by the utilities and regulated entities in filing tariff applications before the Commission.
- (viii) They can also appear before the Commission on behalf of their clients to justify their claims.
- (ix) They can assist the developers in competitive bidding process and traders/buyers/sellers in power procurement through power exchange.
- (x) They also have an important role to play in assisting the utilities in profit maximization through increased revenue, reduced cost and optimal utilization of resources.

23.2 Cost Accountants in practice authorised for certification work as under:

For Central Electricity Regulatory Commission (CERC), the Cost Accountants in practice are authorised for the following work:

23.2.1 Procedures for calculating the expected revenue from tariffs and charges Regulations, 2010

CENTRAL ELECTRICITY REGULATORY COMMISSION NEW DELHI

No. L-1/9/2009/CERC

Dated: 12.4.2010

NOTIFICATION

In exercise of powers conferred under Section 62(5) read with Section 178 (2)(u) of the Electricity Act, 2003 (36 of 2003), and all other powers enabling it in this behalf, and after previous publication, the Central Electricity Regulatory Commission hereby makes the following regulations, namely:-

CHAPTER 1 PRELIMINARY

1. Short title, commencement and applicability. (1) These regulations may be called the Central Electricity Regulatory Commission (Procedures for calculating the expected revenue from tariffs and charges) Regulations,



2010.

(2) These regulations shall come into force with effect from the date of their publication in the Official Gazette.

(3) These regulations shall apply in all cases where tariff other than those based on non-conventional energy sources is determined by the Commission.

2. Definitions

(1) In these regulations, unless the context otherwise requires-

(a) **'Act'** means the Electricity Act, 2003 (36 of 2003), including the amendments thereto;

(b) **'Applicant'** means a generating company or transmission licensee who has made an application for determination of tariff in accordance with the Act and Regulations made thereunder;

(c) **'assets'** for the purpose of these regulations include (i) in respect of the generating company, the whole or part of the generating station; and (ii) in case of transmission licensee, the whole or part of the transmission system or the transmission line or the sub-station for which tariff is determined by the Commission in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 and as amended from time to time including any subsequent regulations as may be specified by the Commission under Section 61 of the Act.

(d) **'auditor'** means a practicing chartered accountant or cost accountant or a firm of chartered accountants or cost accountants, qualified to carry out audit in accordance with the provisions of sections 224, 233B and 619 of the Companies Act, 1956 (1 of 1956), or any other law for the time being in force, as the case may be;

(e) **'Commission'** means the Central Electricity Regulatory Commission referred to in sub-section (1) of section 76 of the Act;

(f) **'Expected revenue from Tariffs and Charges'** means the revenue estimated to accrue to the applicant, assessed on technical and commercial reasonableness and based on past performances, from the business of generation or transmission, as the case may be, in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 as amended from time to time including any subsequent regulation as may be specified by the Commission under Section 61 of the Act.

(g) **"Formats"** mean the formats specified in Appendix-I to these regulations for the purpose of submission of information by the generating company or transmission licensee in respect of expected revenues and charges determined by the Commission.

(h) **'Other Business'** means any business engaged in by a transmission licensee under Section 41 of the Act for optimum utilization of its assets;

(2) These regulations shall be in addition to the requirements to comply with such procedures for calculating the expected revenues from tariffs and charges by the generating company or transmission licensee in accordance with the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, as amended from time to time including any regulations as may be specified by the Commission under Section 61 of the Act in future.

(3) Words and expressions used in these regulations and not defined shall have the meaning assigned to them in the Act, rules or regulations made thereunder.

CHAPTER 2

SUBMISSION OF INFORMATION AND CALCULATION OF EXPECTED REVENUE FROM TARIFF AND CHARGES

3. Submission of information. (1) Every applicant shall submit information in the formats in respect of expected revenue from tariffs and charges determined by the Commission from time to time.

(2) The formats shall be submitted annually under affidavit on or before 30th November of each year containing the



financial position for the previous financial year, current financial year and the ensuing financial year:

Provided that the formats for the previous financial year shall be based on the audited financial statements of that year; for the first half of the current financial year shall be based on finalised statements of accounts up to 30th September and for the second half of the current financial year and the ensuing year shall be based on provisional/estimated figures duly certified through an affidavit.

Provided further that the information in respect of the assets commissioned after 30th September of the current financial year shall be submitted within 90 days of their commercial operation.

(3) While submitting the information in the formats, the following shall be complied with as a minimum requirement:

(i) The generating company shall forecast its availability based on the fuel availability, scheduled maintenance and operating norms as specified by the Commission.

(ii) The transmission licensee shall estimate the transmission charges, open access charges, and other charges as specified by the Commission.

(4) The Commission may adopt such procedures and issue such directions as may be considered necessary for the purpose of validation of data and analysis of the underlying assumptions of the data submitted by the generating company and transmission licensee under these regulations.

CHAPTER 3 MISCELLANEOUS

4. **Application fees.** Notwithstanding anything contained in the Central Electricity Regulatory Commission (Payment of Fee) Regulations, 2008, the applicant, while submitting the information under these regulations, shall not be required to pay application fees to the Commission.

5. **Display of information.** The information received in the formats from the generating companies and transmission licensees shall be posted on the website of the Commission.

6. **Power to relax.** The Commission may, for reasons to be recorded in writing, relax any of the provisions of these regulations on its own motion or on an application made before it by any interested person.

Sd/-
(Alok Kumar)
Secretary

APPENDIX-I

Form No. 1: Thermal

Name of Utility: (A)

Name of Plant: Stage:

S. No	Particulars	Unit	Previous Year	Current Year (Apr-Sep)	Current Year (Oct- Mar)	Ensuing Year
1a	Actual/Expected Availability	%				
1b	Actual/Expected Auxiliary Energy Consumption	%				



2a	Actual/Expected recovery of Capacity Charge including incentive	Rs Cr				
2b	Actual/Expected recovery of Return on Equity	Rs Cr				
2c	Actual/Expected recovery of Incentive	Rs Cr				
3	Actual/Expected Scheduled generation	MU				
4	Actual/Expected energy rate from Coal/Lignite/ APM gas/RLNG/ Liquid fuel as applicable	Paise/kWh				
5a	Actual/Expected recovery of Energy Charges	Rs Cr				
5b	Actual/Expected Fuel Price considered	Rs/...				
6a	Actual UI generation	MU				
6b	Actual UI rate	Paise/kWh				
6c	Actual revenue from UI	Rs Cr				

(B) Name of Plant:

Stage:

S. No	Particulars	Unit	Previous Year	Current Year (Apr- Sep)	Current Year (Oct- Mar)	Ensuing Year
1a	Actual/Expected Availability	%				
1b	Actual/Expected Auxiliary Energy Consumption	%				
2a	Actual/Expected recovery of Capacity Charge including incentive	Rs Cr				
2b	Actual/Expected recovery of Return on Equity	Rs Cr				
2c	Actual/Expected recovery of Incentive	Rs Cr				
3	Actual/Expected Scheduled generation	MU				
4	Actual/Expected energy	Paise/kWh				
	rate from Coal/Lignite/ APM gas/RLNG/ Liquid fuel as applicable					



5a	Actual/Expected recovery of Energy Charges	Rs Cr					
5b	Actual/Expected Fuel Price considered	Rs/...					
6a	Actual UI generation	MU					
6b	Actual UI rate	Paise/kWh					
6c	Actual revenue from UI	Rs Cr					

(....)

(....) Total

S.No.	Particulars	Unit	2009-10	2010-11	2011-12	2012-13	2013-14
1a	Actual/Expected Availability	%					
1b	Actual/Expected Auxiliary Energy Consumption	%					
2a	Actual/Expected recovery of Capacity Charge including incentive	Rs Cr					
2b	Actual/Expected recovery of Return on Equity	Rs Cr					
2c	Actual/Expected recovery of Incentive	Rs Cr					
3	Actual/Expected Scheduled generation	MU					
4	Actual/Expected energy rate from Coal/Lignite/ APM gas/RLNG/ Liquid fuel as applicable	Paise/kWh					
5a	Actual/Expected recovery of Energy Charges	Rs Cr					
5b	Actual/Expected Fuel Price considered	Rs/...					
6a	Actual UI generation	MU					
6b	Actual UI rate	Paise/kWh					
6c	Actual revenue from UI	Rs Cr					



Instructions for the Utility:

- 1) Electronic copy in the form of CD/ Floppy Disc shall also be furnished.
- 2) These formats are indicative in nature and the utility may align the line items to its chart of accounts
- 3) Generating Company shall furnish the detailed justification for the estimation of expected availability, scheduled generation, average energy charge rate, expected UI volume and UI rate.
- 4) The applicant shall provide full details supporting the forecast, including but not limited to details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies, contractual arrangements and / or secondary research, to enable the Commission to assess the reasonableness of the forecast.
- 5) Information furnished for the previous year and April to September of the current year shall be on actual basis and for ensuing year and October to March of the current year shall be on estimated basis.
- 6) The responsibility of the auditor certifying the provisional/estimated information shall be to the extent of validation of arithmetical accuracy and the assumptions considered for estimation.

Form No. 2: Hydro

Name of Utility:

(A) Name of Plant:

Stage:

S. No	Particulars	Unit	Previous Year	Current Year (Apr-Sep)	Current Year (Oct-Mar)	Ensuing Year
1a	Actual/Expected Availability	%				
1b	Actual/Expected Auxiliary Energy Consumption	%				
2a	Actual/Expected recovery of Capacity Charge including incentive	Rs Cr				
2b	Actual/Expected recovery of Return on Equity	Rs Cr				
2c	Actual/Expected recovery of Incentive	Rs Cr				
3	Actual/Expected Scheduled generation	MU				
4	Actual/Expected energy rate	Paise/k Wh				



5	Actual/Expected recovery of Energy Charges	Rs Cr				
6a	Actual UI generation	MU				
6b	Actual UI rate	Paise/kWh				
6c	Actual revenue from UI	Rs Cr				

B. Name of Plant:**Stage:**

S. No	Particulars	Unit	Previous Year	Current Year (Apr-Sep)	Current Year (Oct-Mar)	Ensuing Year
1a	Actual/Expected Availability	%				
1b	Actual/Expected Auxiliary Energy Consumption	%				
2a	Actual/Expected recovery of Capacity Charge including incentive	Rs Cr				
2b	Actual/Expected recovery of Return on Equity	Rs Cr				
2c	Actual/Expected recovery of Incentive	Rs Cr				
3	Actual/Expected Scheduled generation	MU				
4	Actual/Expected energy rate	Paise/kWh				
5	Actual/Expected recovery of Energy Charges	Rs Cr				
6a	Actual UI generation	MU				
6b	Actual UI rate	Paise/kWh				
6c	Actual revenue from UI	Rs Cr				

(....)

(....) Total

S.No.	Particulars	Unit	2009-10	2010-11	2011-12	2012-13	2013-14
1a	Actual/Expected Availability	%					



1b	Actual/Expected Auxiliary Energy Consumption	%					
2a	Actual/Expected recovery of Capacity Charge including incentive	Rs Cr					
2b	Actual/Expected recovery of Return on Equity	Rs Cr					
2c	Actual/Expected recovery of Incentive	Rs Cr					
3	Actual/Expected Scheduled generation	MU					
4	Actual/Expected energy rate	Paise/kWh					
5	Actual/Expected recovery of Energy Charges	Rs Cr					
6a	Actual UI generation	MU					
6b	Actual UI rate	Paise/kWh					
6c	Actual revenue from UI	Rs Cr					

Instructions for the Utility:

- 1) Electronic copy in the form of CD/ Floppy Disc shall also be furnished.
- 2) These formats are indicative in nature and the utility may align the line items to its chart of accounts.
- 3) Generating Company shall furnish the detailed justification for the estimation of expected availability, scheduled generation, average energy charge rate, expected UI volume and UI rate.
- 4) The applicant shall provide full details supporting the forecast, including but not limited to details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies, contractual arrangements and / or secondary research, to enable the Commission to assess the reasonableness of the forecast.
- 5) Information furnished for the previous year and April to September of the current year shall be on actual basis and for ensuing year and October to March of the current year shall be on estimated basis.
- 6) The responsibility of the auditor certifying the provisional/estimated information shall be to the extent of validation of arithmetical accuracy and the assumptions considered for estimation.

Form No. 3: Transmission

Name of Utility:

(A) Name of Plant:

Stage:

Revenue from Actual Tariffs & Other Charges in Previous Year



Sl. No.	Particulars	DOCO	Actual Availability	Auxiliary Energy Consumption	Actual recovery of Capacity Charge including incentive	Actual recovery of Return on Equity	Actual recovery of Incentive	Actual revenue of open Access charges	Actual revenue from other sources e.g. Telecommunication
	Unit	%	%	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr
A	REGION								
1	Asset1								
2	Asset2								
3	Asset3								
4	Asset4								
5								
	SUB TOTAL(A)								
B	REGION								
	...								
	TOTAL (A + B + C+ ...)								

Revenue from Actual Tariffs & Other Charges in Current Year (Apr-Sep)									
Sl. No.	Particulars	DOCO	Actual Availability	Auxiliary Energy Consumption	Actual recovery of Capacity Charge including incentive	Actual recovery of Return on Equity	Actual recovery of Incentive	Actual revenue of open Access charges	Actual revenue from other sources e.g. Telecommunication
	Unit	%	%	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr
A	REGION								
1	Asset1								
2	Asset2								
3	Asset3								
4	Asset4								
5								
	SUB TOTAL(A)								



B	REGION								
	...								
	TOTAL (A+B+C)								

Revenue from Actual Tariffs & Other Charges in Current Year (Oct-Mar)									
Sl. No.	Particulars	DOCO	Actual Availability	Auxiliary Energy Consumption	Actual recovery of Capacity Charge including incentive	Actual recovery of Return on Equity	Actual recovery of Incentive	Actual revenue of open Access charges	Actual revenue from other sources e.g. Telecommunication
	Unit	%	%	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr
A	REGION								
1	Asset1								
2	Asset2								
3	Asset3								
4	Asset4								
5								
	SUB TOTAL(A)								
B	REGION								
	...								
	TOTAL (A+B+C)								

Revenue from Proposed Tariffs & Other Charges in Ensuing Year									
Sl. No.	Particulars	DOCO	Actual Availability	Auxiliary Energy Consumption	Actual recovery of Capacity Charge including incentive	Actual recovery of Return on Equity	Actual recovery of Incentive	Actual revenue of open Access charges	Actual revenue from other sources e.g. Telecommunication
	Unit	%	%	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr	Rs Cr



A	REGION								
1	Asset1								
2	Asset2								
3	Asset3								
4	Asset4								
5								
	SUB TOTAL (A)								
B	REGION								
	TOTAL (A + B + C +)								

Instructions for the Utility:

- 1) Electronic copy in the form of CD/ Floppy Disc shall also be furnished
- 2) These formats are indicative in nature and the utility may align the line items to its chart of accounts
- 3) Transmission licensee shall furnish the detailed justification for the estimation of expected availability, expected Open access charges and expected revenue from other sources i.e. Telecommunication.
- 4) The applicant shall provide full details supporting the forecast, including but not limited to details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies, contractual arrangements and / or secondary research, to enable the Commission to assess the reasonableness of the forecast.
- 5) Information furnished for the previous year and April to September of the current year shall be on actual basis and for ensuing year and October to March of the current year shall be on estimated basis.
- 6) The responsibility of the auditor certifying the provisional/estimated information shall be to the extent of validation of arithmetical accuracy and the assumptions considered for estimation.

23.2.2 Authority to represent before the Commission

Cost Accountant in practice has been authorised to appear before CERC vide Notification No. **8/ (1)/99/CERC** dated 27th August, 1999 for the person who is a party to any proceedings before the Commission in respect of a case and to do all or any of the acts for the purpose. The contents of Notification have been given under Chapter 12-**Appearance as Authorised Representative.**



Chapter-24

Other Regulatory Authorities

In this chapter the following regulatory authorities are covered in seriatim:

- (i) Reserve Bank of India (RBI)
- (ii) Securities Exchange Board of India (SEBI)
- (iii) Competition Commission of India (CCI)
- (iv) Board for Industrial and Financial Reconstruction (BIFR)

24.1 RESERVE BANK OF INDIA

Reserve Bank of India (RBI) has prescribed that the banks should obtain regular certification in respect of the borrowers enjoying credit facilities from multiple banks and authorised inter alia cost accountants in practice to issue such certificate vide the following circular:

RESERVE BANK OF INDIA

RBI/2008-2009/382

UBD.PCB.No. 49 /13.05.000/2008-09

February 12, 2009

The Chief Executive Officers of
All Primary Urban Co-operative Banks
(As per List)
Dear Sir / Madam,

Lending under Consortium Arrangement / Multiple Banking Arrangements

Please refer to our circular RBI/2008-09/354/UBD.PCB.No.36/13.05.000/2008-09 dated January 21, 2009 on the captioned subject.

2. In terms of Paragraph 2(iii) of the above circular, in order to strengthen the information sharing system among banks in respect of the borrowers enjoying credit facilities from multiple banks, the banks are required to obtain regular certification by a professional, preferably a Company Secretary, regarding compliance of various statutory prescriptions that are in vogue, as per specimen given in **Annex III** to the above circular.
3. In this context it is clarified that in addition to Company Secretaries, banks can also accept the certification by Chartered Accountants & Cost Accountants. Further, on the basis of suggestions received from Indian Banks Association, **Annex III – Part I & Part II** (copy enclosed) has also been modified.

Yours faithfully,
(Uma Shankar)
Chief General Manager.
Encl: As above.



Part : I

DILIGENCE REPORT

To,

The Manager,

.....(Name of the Bank)

I/We have examined the registers, records, books and papers of _____ Limited having its registered office at..... as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder, the provisions contained in the Memorandum and Articles of Association of the Company, the provisions of various statutes, wherever applicable, as well as the provisions contained in the Listing Agreement/s, if any, entered into by the Company with the recognized stock exchange/s for the half year ended on..... . In my/our opinion and to the best of my/our information and according to the examination carried out by me/us and explanations furnished to me/us by the Company, its officers and agents. I/We report that in respect of the aforesaid period:

1. The management of the Company is carried out by the Board of Directors comprising of as listed in Annexure, and the Board was duly constituted. During the period under review the following changes that took place in the Board of Directors of the Company are listed in the Annexure, and such changes were carried out in due compliance with the provisions of the Companies Act, 1956.
2. The shareholding pattern of the company as on ----- was as detailed in Annexure: During the period under review the changes that took place in the shareholding pattern of the Company are detailed in Annexure.....:
3. The company has altered the following provisions of
 - (i) The Memorandum of Association during the period under review and has complied with the provisions of the Companies Act, 1956 for this purpose.
The Articles of Association during the period under review and has complied with the provisions of the Companies Act, 1956 for this purpose.
- a. The company has entered into transactions with business entities in which directors of the company were interested as detailed in Annexure..... .
- b. The company has advanced loans, given guarantees and provided securities amounting to Rs. to its directors and/or persons or firms or companies in which directors were interested, and has complied with Section – 295 of the Companies Act , 1956.
- c. The Company has made loans and investments; or given guarantees or provided securities to other business entities as detailed in Annexureand has complied with the provisions of the Companies Act, 1956.
- d. The amount borrowed by the Company from its directors, members, financial institutions, banks and others were within the borrowing limits of the Company. Such borrowings were made by the Company in compliance with applicable laws. The break up of the Company's domestic borrowings were as detailed in Annexure..... :



- e. The Company has not defaulted in the repayment of public deposits, unsecured loans, debentures, facilities granted by banks, financial institutions and non-banking financial companies.
- f. The Company has created, modified or satisfied charges on the assets of the company as detailed in Annexure.... Investments in wholly owned Subsidiaries and/or Joint Ventures abroad made by the company are as detailed in Annexure.....
- g. Principal value of the forex exposure and Overseas Borrowings of the company as on are as detailed in the Annexure under"
- h. The Company has issued and allotted the securities to the persons-entitled thereto and has also issued letters, coupons, warrants and certificates thereof as applicable to the concerned persons and also redeemed its preference shares/debentures and bought back its shares within the stipulated time in compliance with the provisions of the Companies Act, 1956 and other relevant statutes.
- i. The Company has insured all its secured assets.
- j. The Company has complied with the terms and conditions, set forth by the lending bank/financial institution at the time of availing any facility and also during the currency of the facility.
- k. The Company has declared and paid dividends to its shareholders as per the provisions of the Companies Act, 1956.
- l. The Company has insured fully all its assets.
- m. The name of the Company and or any of its Directors does not appear in the defaulters' list of Reserve Bank of India.
- n. The name of the Company and or any of its Directors does not appear in the Specific Approval List of Export Credit Guarantee Corporation.
- o. The Company has paid all its Statutory dues and satisfactory arrangements had been made for arrears of any such dues.
- p. The funds borrowed from banks/financial institutions have been used by the company for the purpose for which they were borrowed.
- q. The Company has complied with the provisions stipulated in Section 372 A of the Companies Act in respect of its Inter Corporate loans and investments.
- r. It has been observed from the Reports of the Directors and the Auditors that the Company has complied with the applicable Accounting Standards issued by the Institute of Chartered Accountants in India.
- s. The Company has credited and paid to the Investor Education and Protection Fund within the stipulated time, all the unpaid dividends and other amounts required to be so credited.
- t. Prosecutions initiated against or show cause notices received by the Company for alleged defaults/offences under various statutory provisions and also fines and penalties imposed on the Company and or any other action initiated against the Company and /or its directors in such cases are detailed in Annexure..... .
- u. The Company has (being a listed entity) complied with the provisions of the Listing Agreement.
- v. The Company has deposited within the stipulated time both Employees' and Employer's contribution to Provident Fund with the prescribed authorities.



Note : The qualification, reservation or adverse remarks, if any, are explicitly stated may be stated at the relevant paragraphs above place(s).

Place:

Signature:

Date:

Name of Company Secretary, Chartered Accountant, Cost Accountant/Firm: C.P. No.:

Part II

CERTIFICATIONS OF BORROWAL COMPANIES **BY CHARTERED ACCOUNTANTS / COMPANY SECRETARIES/** **COST ACCOUNTANTS**

- I. Terms of reference for stock audit are to be spelt out clearly by the Banks, so that the Chartered Accountants can give focused attention to such areas.
- II. End-use verification of funds lent, if certified by Statutory Auditors, will be a good comfort to the Banks.
- III. As Banks quite often deal with unlisted companies, disclosure requirements for such companies above a specific turnover may be made akin to those for listed companies, viz. consolidated balance sheet, segmental reporting etc. Information on large shareholding also will be useful.
- IV. Further, the following additional certification either from Chartered Accountant or Company Secretary or Cost Accountants may also be thought of :-
 - (a) Company Directors not figuring in defaulters list (RBI/ECGC)/willful defaulters list etc.)
 - (b) Details of litigation above a specified cut off limit.
 - (c) A specific certificate, probably from the Company Secretary, regarding compliance with Sec. 372 (a) of the Companies Act.
 - (d) Details of creation/ modification/satisfaction of charges on the assets of the company, position regarding insurance, show cause notices received, finds and penalties awarded.
- V. As regards rotation of Auditors, for the sake of operational convenience, it is suggested they may be changed once every 5 years instead of every 3 years.
- VI. In order to avoid concentration, group companies may have different Statutory/ Internal Auditors in case group turnover exceeds Rs. 100 crores.



24.2 Securities Exchange Board of India (SEBI)

24.2.1 Internal Audit of Members (Stock Brokers/Trading Members/Clearing Members)

The Members (Stock Brokers/Trading Members/Clearing Members of any Segment of Stock Exchanges and Clearing Corporations) are required to get their internal audit done on a half yearly basis by an independent qualified Chartered Accountant, Company Secretary or Cost and Management Accountant who is in practice and does not have any conflict of interest. The relevant circular has been given under Chapter-Internal Audit of Section-II.

24.2.2 Appearance as Authorised Representative

For an appeal under SEBI, the appellant may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any of its officers or present his or its case before the Securities Appellate Tribunal.

24.3 Competition Commission of India (CCI)

Competition Commission of India has also issued notification for determination of Cost of Production relevant to transfer pricing; the relevant extract of dated 20th August 2009 is given below:

24.3.1 Determination of Cost of Production

To determine transfer pricing, the Institute has issued a Cost Accounting Standards-CAS-4 "COST ACCOUNTING STANDARD ON COST OF PRODUCTION FOR CAPTIVE CONSUMPTION" and CAS-4 has already been approved and notified by the Central Board of Excise & Customs (CBEC) for determining Cost of products, services or activities. CAS-4 has been very useful in settling long pending cases of valuation of captive consumption between the department (CBEC) and the assesseees.

Competition Commission of India has also issued notification for determination of Cost of Production; the relevant extract is given below for information of members:

THE COMPETITION COMMISSION OF INDIA

NOTIFICATION

The Competition Commission of India (Determination of Cost of Production) Regulations, 2009 (No. 6 of 2009)

New Delhi, the 20th day of August, 2009

No. L-3 (5)/Reg-Cost/2009-10/CCI.-In exercise of powers conferred by clause (a) of sub-section (2) of section 64 of the Competition Act, 2002 (12 of 2003), the Competition Commission of India hereby makes the following regulations, namely: -

2. Definitions.-

(1) In these regulations, unless the context otherwise requires –

- (a) "Act" means the Competition Act, 2002 (12 of 2003);
- (b) "average variable cost" means total variable cost divided by total output during the referred period ;
- (c) "Cost" as used in Regulation 3 and its derivation may have reference to :



- i. "total cost" means the actual cost of production including items, such as cost of material consumed, direct wages and salaries, direct expenses, work overheads, quality control cost, research and development cost, packaging cost, finance and administrative overheads attributable to the product during the referred period ;
 - ii. "total variable cost" means the total cost referred to in clause (i) minus the fixed cost and share of fixed overheads, if any, during the referred period;
 - iii. "total avoidable cost" means the cost that could have been avoided if the enterprise had not produced the quantity of extra output during the referred period;
 - iv. "average avoidable cost" is the total avoidable cost divided by the total output considered for estimating 'total avoidable cost';
 - v. long run average incremental cost" is the increment to long run average cost on account of an additional unit of product, where long run cost includes both capital and operating costs;
 - vi. "market value" means the consideration which the customer pays or agrees to pay for a product which is sold or provided or can be sold or provided, as the case may be;
- (d) "Commission" means the Competition Commission of India established under subsection (1) of section 7 of the Act;
- (e) "product" means the goods or services, as the case may be, as defined in the Act;
- (f) 'marginal cost' is the change in total cost that arises when the quantity produced changes by one unit.
- (2) Words and expressions used but not defined in these regulations shall have the same meaning respectively assigned to them in the Act or the Companies Act, 1956 (1 of 1956), as the case may be.

3. Determination of cost. –

(1) "Cost" in the Explanation to section 4 of the Act shall, generally, be taken as average variable cost, as a proxy for marginal cost:

Provided that in specific cases, for reasons to be recorded in writing, the Commission may, depending on the nature of the industry, market and technology used, consider any other relevant cost concept such as avoidable cost, long run average incremental cost, market value. (2) In arriving at the figures of costs, the Commission /Director General may take the help of suitable experts.

4. Engagement of experts. –

Where an enterprise disputes the cost determined by the Commission under regulation 3, it may, for reasons to be submitted in writing, request the Commission to appoint expert (s) for determining the cost.

6.3.2 Role of Cost Accountants

CCI Act has recognized Cost Accountants to represent their clients to appear before the commission. Cost Accountants may also appear before the Competition Appellate Tribunal for award of compensation to be paid by any dominant enterprise for any loss or damage shown to have been suffered by any applicant as a result of any contravention of the Section 4 of CCI Act by such enterprise, if after inquiry it is established by the Commission.



The Act also provides for direction to the dominant enterprise concerned to comply with such other orders and directions, including payment of cost, if any.

Cost accountants are also empanelled by the Commission to develop the economic and legal concepts and practices included in the Act. The Commission have separate expert groups working with the Commission on its Regulations, on Economic Information, on Market Studies and Research Projects, on Predatory Pricing, on Competition Advocacy, and on Academic Course Curriculum. These expert groups comprise of economists, legal experts, trade and industry representatives, consumer organizations, and other such professionals. In this way, the Commission, even with a small team of officials on its roll, has been able to avail of the knowledge and skills of highly regarded experts in the field of competition economics and law. Thus Cost Accountants have huge scope to prove their ability in this field.

24.3.3 Engagement of Experts and Professionals

The Competition Commission of India (CCI) has procedure for engagement of Experts and professional working in the different fields. CCI has issued a notification dated 15th May 2009 in this regard. This notification mentions the name of Cost Accountants also, who could be engaged by the Commission. Relevant extract of the Notification is given below:

**THE COMPETITION COMMISSION OF INDIA
NOTIFICATION
The Competition Commission of India (Procedure for Engagement of Experts and Professionals)
Regulations, 2009
(No.1 of 2009)**

New Delhi, the 15 day of May. 2009

No R-40007/6/ Reg- Expert/ Noti/ 04- CCI - In exercise of the powers conferred by clause (d) sub-section (2) of section 64, read with sub-section (3) of section 17 of the Competition Act, 2002 (12 of 2003) the Competition Commission of India hereby makes the following regulations, namely: –

1. **Short title and commencement.**– These regulations may be called the Competition Commission of India (Procedure for Engagement of Experts and Professionals) Regulations, 2009.

3. Engagement of experts and professionals. –

The Commission may engage such number of experts and professionals in the fields of economics, law, business or such other disciplines related to competition, as it may deem fit.

4. Functions of experts and professionals.–

The experts and professionals engaged by the Commission shall discharge such functions as directed by the Chairperson, in assisting the Commission.

5. Qualifications, experience and classification of experts and professionals. –

(1) The experts and professionals to be engaged shall be classified on the basis of their qualifications and experience in the respective fields of specialization and/or the eminence in their professions as given in Schedule I:

Provided that the Commission may also engage experts and professionals from any other discipline as deemed necessary to assist the Commission in the discharge of its functions under the Act.



(2) Subject to sub-regulation (1) and depending upon the qualification, specialization and experience in respective disciplines, the experts shall be categorized into five levels as given in Schedule II.

6. Remuneration payable to experts and professionals. –

The remuneration to be paid by the Commission to different categories of experts and professionals shall be in accordance with Schedule III:

Provided that the Commission may, for reasons to be recorded in writing, agree to pay higher remuneration than those given in Schedule III, in specially deserving cases.

7. Evaluation of performance.–

The performance of each expert and professional engaged under these regulations, with reference to the tasks assigned and output delivered, shall be reviewed periodically, within such time and manner, as may be specified by the Commission.

8. Procedure of selection of experts and professionals. –

(1) The experts and professionals shall ordinarily be engaged by the Commission on contractual basis for not less than three months and not more than three years.

(2) The Commission may decide, from time to time, the number of the experts and professionals to be engaged.

(3) After the number of the experts and professionals to be engaged is decided, as mentioned in sub-regulation (2), the Secretary shall publish the number of the experts and professionals to be engaged with details of qualifications, experience needed and the remuneration payable on the official website of the Commission and invite applications for each category and level of expert and professional giving a stipulated last date for the receipt of the applications for each category and level:

Provided that the Secretary may also invite the applications by suitable public notice, for each category and level of expert and professional.

(4) The Commission shall constitute a selection board for each category of expert and professional. The Commission may invite eminent experts having special knowledge and experience in the relevant field to join the selection boards.

(5) The Secretary shall scrutinize the applications in accordance with these regulations and prepare lists of eligible candidates for each category to be called for interview and submit a report to the Commission.

(6) The selection boards mentioned in sub-regulation (4) shall be convened with the approval of the Chairperson for each category and the Secretary shall notify the date and the venue of the interview to the short listed eligible candidates sufficiently in advance.

(7) The recommendations of each selection board regarding engagement for each category shall be placed by the Secretary before the Commission for decision.

9. Terms and condition of engagement of experts and professionals. –

(1) The expert and professionals on having accepted the offer of engagement, shall enter into a contract, also having the confidentiality clause, with the Secretary, acting on behalf of the Commission, detailing the terms and conditions of engagement, before being assigned any work.

(2) The terms and conditions of engagement may be modified, in a specific case, where the Commission deems it necessary.



(3) Without prejudice and in addition to the legal remedies available to the Commission, the breach of agreement executed under sub-regulation (1) by or on behalf of any expert or professional shall be considered a sufficient ground for termination of the engagement made under contract and may further debar such expert or professional from future engagement by the Commission.

Schedules: Only relevant portion applicable to Cost Accountants is mentioned others text is left out. For full notification and Schedules, members may refer to Commission website: www.cci.gov.in or www.competition-commission-india.nic.in/

Schedule – I

(See regulation 5)

Expert and professional	Qualifications	Experience
Chartered Accountant	<p>Essential – Chartered Accountant in terms of the Chartered Accountants Act, 1949 (38 of 1949).</p> <p>Desirable – Chartered Accountants having qualified the Post qualification course in International Trade Laws and WTO with competition law as a subject.</p>	<p>Must have worked as a Chartered Accountant in reputed organization handling financial ventures of large enterprises or undertakings.</p> <p>Desirable – Experience of handling acquisitions, mergers& amalgamations etc. under competition law.</p>
Cost Accountant	<p>Essential – Cost and Works Accountants in terms of the Cost and Works Accountants Act, 1959(23of 1959).</p> <p>Desirable – Post membership qualification in competition law or related areas.</p>	<p>Must have worked as a Cost and Works Accountant in reputed organization handling business ventures of large enterprises or undertakings.</p> <p>Desirable – Experience of handling acquisitions, mergers& amalgamations, etc. under competition law.</p>
Company Secretary	<p>Essential – Company Secretary in terms of the Company Secretaries Act, 1980 (56 of 1980).</p> <p>Desirable – Company Secretaries having qualified the Post Membership Qualification (PMQ) course in Corporate Governance including competition law competition law. as a subject</p>	<p>Must have worked as a Company Secretary in reputed organization handling financial ventures of large enterprises or undertakings.</p> <p>Desirable – Experience of handling acquisitions, mergers & amalgamations, etc. under competition law.</p>



Schedule-II
(See regulation 5)

Category of expert and professional	Preferred experience in years
Level I	Upto three years
Level II	Three to five years
Level III	Five to ten years
Level IV	Ten to fifteen years
Level V	Fifteen years or more

Schedule III
(See regulation 6)

Level of expert and professional	Lump sum monthly remuneration
I	Rs. 30,000 with 10 per-cents increase on completion of each year
II	Rs. 50,000 with 10 per-cents increase on completion of each year,
III	Rs. 75,000 with 10 per-cents increase on completion of each year.
IV	Rs. 100, 000 with 10 per-cents increase on completion of each year .
V	Rs. 125, 000 with 10 per-cents increase on completion of each year.

24.3.4 Empanelment: Empanelment of special counsel by Commission Notification

Extract Notification No 2 of The Competition Commission of India (General) Regulation, 2009

Regulation 51. Empanelment of special counsel by Commission. – (1) The Commission may draw up a panel of legal practitioners or chartered accountants or company secretaries or cost accountants to assist in proceedings before the Competition Appellate Tribunal or any other quasi judicial body or Court.

(2) The Director General may call upon the legal practitioners or chartered accountants or company secretaries or cost accountants from the panel for assistance in the proceedings before the Commission, if so required.

(3) The remuneration payable and other allowances and compensation admissible to counsel shall be specified in consultation with the Commission.

24.3.5 Appearance before Commission

Cost Accountant in practice has been authorised to appear before Commission prescribed under Section-35, Section-53(1) of The Competition (Amendment) Act, 2007 and Regulation-46 of The Competition Commission of India (General) Regulation, 2009 have been covered under Chapter-**Appearance as Authorised Representative** .

24.3.6 Predatory Pricing

The predatory pricing is a device used by a competitor not to benefit the consumers but to eliminate the competitor and once the object is achieved the price returns back to normal or even higher, if recoupment is also desired. Thus, if a predator succeeds in such a strategy, it is not the competitor alone but the consumer who is ultimately hurt in the



long run.

Section 4 of the Competition Act, 2002 provides for predatory pricing as one of the possible abuses by a dominant player. Definition as provided in the Act for "Abuse of dominant position" and "Predatory Pricing" is given below:

Abuse of dominant position

4. (1) No enterprise shall abuse its dominant position.

(2) There shall be an abuse of dominant position under sub-section (1), if an enterprise.—

(a) directly or indirectly, imposes unfair or discriminatory—

- (i) condition in purchase or sale of goods or service; or
- (ii) price in purchase or sale (including predatory price) of goods or service,

Explanation.— For the purposes of this clause, the unfair or discriminatory condition in purchase or sale of goods or service referred to in sub-clause (i) and unfair or discriminatory price in purchase or sale of goods (including predatory price) or service referred to in sub-clause (ii) shall not include such discriminatory condition or price which may be adopted to meet the competition;

or

(b) limits or restricts—

- (i) production of goods or provision of services or market therefore; or
- (ii) technical or scientific development relating to goods or services to the prejudice of consumers; or
- (c) indulges in practice or practices resulting in denial of market access; or
- (d) makes conclusion of contracts subject to acceptance by other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts; or
- (e) uses its dominant position in one relevant market to enter into, or protect, other relevant market.

Explanation.—For the purposes of this section, the expression—

(a) "dominant position" means a position of strength, enjoyed by an enterprise, in the relevant market, in India, which enables it to—

- (ii) operate independently of competitive forces prevailing in the relevant market; or
- (iii) affect its competitors or consumers or the relevant market in its favour;

(b) "predatory price" means the sale of goods or provision of services, at a price which is below the cost, as may be determined by regulations, of production of the goods or provision of services, with a view to reduce competition or eliminate the competitors.

Thus predatory price means the price which is below the cost with a view to reduce competition or to eliminate the competitors. This is one particular provision which specifically provides for safeguarding even the competitors as opposed to safeguarding the process of competition, which is generally the case under a competition law.

Selling any product at a rate lower than its cost of sale or cost of production is known in the commercial circles as "predatory pricing," which is one the pernicious trade practices that may be conveniently resorted to by the monopolists in the market of that product and even by the other producers of the product if such producers are also



the manufacturers of the raw material required for the production of goods. Sometimes market conditions may require predatory pricing as when the goods are not in demand and they are sought to be disposed off to minimize loss.

To be predatory price, the following three elements are essential in an inquiry on predatory pricing under the Indian law.

- (i) that the predator is in a dominant position;
- (ii) that the price fixed by the predator is below the cost of production of the predator; and
- (iii) the predator has the intent to reduce the competition or eliminate the competitor.

However, the Indian law also gives the predator a chance to defend its actions under 'meeting the competition' argument.

The issue of determination of cost of production is most crucial in predation cases. Competition Commission of India (CCI) has brought out the regulations on determination of 'cost' under the Act. The cost of production regulations provide for many variants of costs like avoidable cost, long run average incremental cost, etc, under certain circumstances but primarily it is the average variable cost which is expected to be used by CCI in predation cases. The provisions of Notification relating to **(Determination of Cost of Production) Regulations, 2009 (No. 6 of 2009)** dated 20th August, 2009 have been given above.

Since, the main attempt of predatory pricing is illegal monopolization or an attempt to monopolize the market it was considered to be a monopolistic trade practice under the MRTP Act, 1969. Under section 4 of the Competition Act, 2002 it is now considered to be an abuse of dominant position as it of high risk and is mostly feasible for dominant players in the market.

Earlier under the MRTP Act, 1969 to determine whether a particular undertaking was in a dominant position, the following arithmetic formula was used:

An undertaking which by itself or along with interconnected undertakings produces, supplies, distributes or otherwise controls not less than one-fourth of the total goods that are produced, supplied or distributed in India or any substantial part thereof,

or

An undertaking which provides or otherwise controls not less one fourth of the services that are rendered in India or any substantial part thereof:

Now under the Competition Act, 2002 there is no such arithmetic formula to determine the dominant position of an enterprise. The Competition Act does not say that dominant position as such is bad, but the abuse of it is bad and not allowed. The dominant position of an enterprise is to be determined by its power to operate independently of competitive forces or to affect its competitors or consumers in its favour. Thus, even an enterprise within less than one-fourth share in the market can be dominant and vice versa.

To determine whether a particular enterprise is in a dominant position is a very difficult task for the authorities. Care has to be taken to determine whether the dominance has actually affected competition. For this rather than the rule of law, the rule of reason needs to be applied to prevent the end of competition and growth.

Abuse of Dominance can be classified into two broad types:

1. Exploitative abuse: Here the needs of the customers as well as the competitors are ignored.
2. Exclusionary abuse: Here the competitors are driven out of the market.

However, it is difficult to prove that a drop in prices is due to predatory pricing rather than normal competition. Therefore, predatory pricing claims are difficult to prove before CCI due to legality.



The Commission after inquiry into abuse of dominant position may direct the enterprise to discontinue such abuse of dominant position and/or impose a penalty which is not more than ten percent of the average turnover of the last three preceding financial years.

24.4 Board for Industrial and Financial Reconstruction (BIFR)

**Extract from the board for Industrial and
Financial Reconstruction (BIER)-Regulations, 1987
Regulation 40-ASSISTANCE TO THE BOARD**

Regulation 40. The Board may, at any time, take the assistance of public financial institutions, banks, or other institutions, consultants, experts, chartered accountants, surveyors and such other technical and professional persons, as it may consider necessary, and ask them to submit report or reports to furnish any information;

Provided that, if the report or information so obtained or any part thereof is brought on record of any inquiry and is proposed to be relied upon by the Board for forming its opinion or view, the party or parties to the inquiry shall be given a reasonable opportunity of making his or their submission with respect thereto.



Chapter-25

Transfer Pricing and Predatory Pricing

Transfer pricing is simply the act of pricing of goods and services or intangibles when the same is given for use or consumption to a related party (e.g. Subsidiary) It can be either Market-based, i.e. equivalent to what is being charged in the outside market for similar goods, or it can be non-market based. Therefore, transfer pricing is one such practice which refers to prices used for 'internal' sales of goods, services and technology between divisions and/or associated companies of a business enterprise. The concept relates not only to trade operations proper, but also to other intra-firm transactions, such as those relating to transfer of technology, dividend remittances, royalties and technical fees payments. These transactions are mostly market transactions between unrelated parties (i.e. from arms' length prices).

It is also a mechanism adopted by multinational Enterprises for valuing the goods and services traded with their Subsidiaries or Associate Companies abroad so as to lower taxes and to maximize profits. The yardstick for acceptance of such transfer pricing is the "Arm's Length Price" which should represent the price charged in comparable transactions between independent parties, where price is not influenced by the relationship or business interest between the parties in the transaction. The Transfer Pricing policies of several countries are based on the OECD (Organization of Economic Cooperation and Development) Guidelines on the subject.

25.1 Transfer Pricing and Income Tax Act

Transfer Pricing law has been enacted for Income Tax purposes in 2001 by amending the Income Tax Act, supplemented by Transfer Pricing Rules, which are broadly based on OECD Guidelines. While Article VII of the GATT and the WTO Agreement on Customs Valuation (ACV) do not refer explicitly to transfer pricing, in the case of related party transactions the Agreement indirectly accepts the arm's length principle.

25.2 Customs valuation Rules, 2007

Customs valuation Rules, 2007 provides the methods of valuation of goods as follows:

Methods of Valuation

- Transaction Value of Imported goods [Section 14(1) and Rule 3(1)]
- Transaction Value of Identical Goods [Rule 4]
- Transaction Value of Similar Goods [Rule 5]
- Deductive Value which is based on identical or similar **imported** goods sold in India [Rule 7]
- Computed value which is based on cost of manufacture of goods plus profits [Rule 8]
- Residual method based on reasonable means and data available [Rule 9]

The Customs Valuation Rules, 2007 provide for transaction value of identical / similar goods, deductive value and computed value methods which are similar to valuation methods in the Transfer Pricing Rules under the Income Tax Act.



25.3 Different Approaches in Income Tax Act and Customs Valuation Rules

The Income tax and the Customs authorities are driven by diametrically opposite approaches to valuation in view of the conflicting interests involved for measuring the tax incidence. While the Income Tax authorities may seek to avoid diversion of profits to the exporting country by assessing lower transaction price on imports, the custom authorities would prefer to determine a higher transfer price to enhance customs revenue.

The transfer pricing rules under the Income Tax treat enterprises as related even on the grounds of consumption of raw materials, dependence on patents, technology etc. whereas, the concept of relationship under CVR is limited. This difference between the CVR and transfer pricing rules could lead to one department treating the same transactions as between related parties and the other taking a contrary view.

25.4 Transfer pricing under Income Tax Law & Relevant Provisions of I.T. Act

The Income Tax Act was amended in the Finance Act, 2001, to incorporate suitable provisions in sections 92 to 92 F, and section 27 so as to regulate Transfer Pricing. These **were broadly based on the OECD guidelines**. Supplementary provisions in Income Tax Rules were incorporated to prescribe the procedures on Transfer Pricing controls.

A summary of these legal provisions is given below:

Section	What it provides
92	Computation of Income from International transactions involving transfer pricing having regard to "Arm's length price"
92A	Meaning of "Associated Enterprise"
92B	Meaning of "International Transaction"
92C	Computation of "Arm's Length Price"
92CA	Reference to Transfer Pricing Officer
92CB	Power of board to make safe harbour rules (New Section inserted by Finance Act 2012)
92CC	Advance Pricing Agreement (New Section inserted by Finance Act 2012)
92CD	Effect to advance pricing agreement (New Section inserted by Finance Act 2012)
92D	Maintenance of Documents and Information
92E	Requirement of Audit Report
92F	Important Definitions.
271 (1)(C)	Adjustment to income on account of Transfer Pricing Provisions to be regarded as concealed Income.
27 1AA	Penalty for failure to keep and maintain information and documents
271BA	Penalty for failure to furnish Audit Report
27 1G	Penalty for failure to furnish information or documents
Rules	
10A	Meaning of expression used in computation of "Arm's Length Price"
10B	Determination of "Arm's Length Price' under section 92C
10C	Most Appropriate Method
10D	Information and Documents to be kept and maintained under section 92D
10E	Report from an Accountant to be furnished under section 92E



The new regulation requires that "international transaction" between "associated enterprises" should be at an "arm's length price." **International transaction** is defined to mean a transaction between two (or more) associated enterprises that has a bearing on the profits, income, losses or assets of such enterprises. **Associated Enterprises** have been defined to cover those having direct/indirect participation in the management, control or capital of one enterprise by another enterprise. Section 92 of the Income tax Act states that "Any income arising from an international transaction shall be computed having regard to the arm's length price". **Arm's length price** is defined as a price, which is applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.

The Ministry of Corporate Affairs vide Companies (Cost Audit Report) Rules, 2011 notified vide G.S.R. 430(E) dated 3rd June 2011 requires that "**Cost Accounting Policy**" should describe the '**Methodology for valuation of Inter-Unit/ Inter Company and Related Party transactions**'. As per Annexure to the Cost Audit Report of the Companies (Cost Audit Report) Rules, 2011 vide para 10 requires furnishing of details of related party transactions based on "**Normal Price**" and indicates that the information without indicating "Normal Price" shall be considered as incomplete. Further, modified procedure for appointment of Cost Auditor by the company notified by the Ministry of Corporate Affairs vide General Circular No. 15/2011 dated 11th April 2011 prescribes furnishing of a certificate by a cost auditor for proposed to be appointed regarding his independence and arm's length relationship with the company.

Again, Ministry of Corporate Affairs vide GENERAL CIRCULAR 68/2011 OF 30/11/2011 clarified meaning of arm's length relationship with company. It indicates "*In order that 'arm's length relationship' is in fact ensured, it may be noted that cost auditor(s) appointed under section 233B(2) of the Companies Act, 1956 [whether for one or all of the company's products covered under cost audit], shall not provide any other services to the company relating to (i) design and implementation of cost accounting system; or (ii) the maintenance of cost accounting records, or (iii) act as internal auditor, whether acting individually, or through the same firm or through other group firms where he or any partner has any common interest. It is however clarified that the cost auditors are allowed to certify the compliance report or provide any other services as may be assigned by the company, but which shall not include any of the services mentioned above*".

The Ministry of Corporate Affairs, vide General Circular dated 10th May 2012 prescribed filing of Cost Audit Report and Compliance Report in XBRL Format. To enable filing of cost audit report in XBRL Format, the Ministry of Corporate Affairs amended the said Companies (Cost Audit Report) Rules 2011 vide G.S.R. 861(E) dated 30th November 2012 to be called "Companies (Cost Audit Report) Amendment Rules, 2012". The XBRL Costing Taxonomy with respect to "Cost Audit Report" published by Ministry of Corporate Affairs, vide para 10 "Related Party Transactions" to Annexure to Cost Audit Report, contains a provision of furnishing information in this para based on "Transfer Pricing Provisions" as per the Income Tax Act, 1961 and described six methods for working out the "Normal Price". These are (a) *Comparable Uncontrolled Price Method*, (b) *Resale Price Method*, (c) *Cost Plus Method*, (d) *Profit Split Method*, (e) *Transactional Net Margin Method* and (f) *any Other method*.

Six Methods for basis adopted to determine the Normal Price

- (1) **Comparable Uncontrolled Price Method:** This is a third party price for identical goods or services under the identical conditions, called comparable uncontrolled price for determining the Arm's Length. This method is considered most appropriate for all transactions provided the information is available. This method is appropriate when goods or services are identical but if the sale terms or other limited items are different, this method may not be appropriate.
- (2) **Resale Price Method:** Under this method the goods or services are sold to related parties at the 'Standard List Price' less a fixed discount. For Example, if price of 'A' Product as per 'Standard List Price' is Rs. 100/- and discount allow to related party @ 25%, then 'Arm's Length' or Normal Price will be Rs. 75/- (Rs. 100-25).
- (3) **Cost Plus Method:** This method is useful where goods or services to related parties are consistently priced at actual cost plus a fixed margin. Under this method, the cost of production of the product is the base and the gross profit marked



used for comparable entities in similar transactions with independent entities is added to determine the price to be charged from the related parties.

- (4) **Profit Split Method:** Under this method the operating profit split is calculated based on combined operating profit of uncontrolled parties whose transactions of goods or services are comparable to the transactions of goods or services with the related parties.
- (5) **Transactional Net Margin Method:** This method is generally applied where transfer of goods is semi-finished and Retail price Method cannot be suitably applied. In this method transfer pricing compares the net profit margin from a non-arm's length transaction with the net profit margins realized by arm's length parties from similar transactions and then net margin is applied as percentage of certain base viz. cost, turnover etc. to the related party transactions.
- (6) **Any other Method:** If Company has adopted any other method for determination of Normal Price or Arm's Length Price, then the cost auditor filing the cost audit report is required to specify the basis chosen by the company.

25.4.1 Sections 92 & 92A to 92F Transfer pricing

Clarification on provisions governing transfer price in an international transaction

The Finance Act, 2001, has substituted the existing section 92 of the Income-tax Act by new sections 92 and 92A to 92F. These new provisions lay down that income arising from an international transaction between associated enterprises shall be computed having regard to the arm's length price. The term "associated enterprise" has been defined in section 92A. Section 92B defines an "international transaction" between two or more associated enterprises. The provisions contained in section 92C provide for methods to determine the arm's length price in relation to an international transaction, and the most appropriate method to be followed out of the specified methods. While the primary responsibility of determining and applying an arm's length price is on the assessee, sub-section (3) of section 92C empowers the Assessing Officer to determine the arm's length price and compute the total income of the assessee accordingly, subject to the conditions provided therein. Section 92D provides for certain information and documents required to be maintained by persons entering into international transactions, and section 92E provides for a report of an accountant to be furnished along with the return of income.

The Board have prescribed rules 10A to 10E in the Income-tax Rules, 1962, giving the manner and the circumstances in which different methods would be applied in determining arm's length price and the factors governing the selection of the most appropriate method. The form of the report of the accountant and the documents and information required to be maintained by the assesseees have also been prescribed.

The aforesaid provisions have been enacted with a view to provide a statutory framework which can lead to computation of reasonable, fair and equitable profit and tax in India so that the profits chargeable to tax in India do not get diverted elsewhere by altering the prices charged and paid in intra-group transactions leading to erosion of our tax revenues.

However, this is a new legislation. In the initial years of its implementation, there may be room for different interpretations leading to uncertainties with regard to determination of arm's length price of an international transaction. While it would be necessary to protect our tax base, there is a need to ensure that the taxpayers are not put to avoidable hardship in the implementation of these regulations.

In this background the Board have decided the following:

- (i) The Assessing Officer shall not make any adjustment to the arm's length price determined by the taxpayer, if such price is up to 5 per cent less or up to 5 per cent more than the price determined by the Assessing Officer. In such cases the price declared by the taxpayer may be accepted.
- (ii) The provisions of sections 92 and 92A to 92F come into force with effect from 1st April, 2002, and are accordingly applicable to the assessment year 2002-03 and subsequent years. The law requires the associated enterprises to maintain such documents and information relating to international transactions as may be prescribed. However, the necessary rules could be framed by the Board only after the Finance Bill received the assent of the President and have just been notified. Therefore, where an assessee has failed to maintain the prescribed information or documents in



respect of transactions entered into during the period 1-4-2001 to 31-8-2001 the provisions of section 92C(3) should not be invoked for such failure. Penalty proceedings under section 27 1AA or 27 1G should also not be initiated for such default.

- (iii) It should be made clear to the concerned Assessing Officer that where an international transaction has been put to a scrutiny, the Assessing Officer can have recourse to sub-section (3) of section 92C only under the circumstances enumerated in clauses (a) to (d) of that sub-section and in the event of material information or documents in his possession on the basis of which an opinion can be formed that any such circumstances exists. In all other cases, the value of the international transaction should be accepted without further scrutiny.

Circular: No. 1 2/2001, dated 23-8 -2001.

25.4.2 Transfer Pricing Officer - Notified subordinate officer

In exercise of the powers conferred by section 118 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby directs that:—

- (a) the Transfer Pricing Officer referred to in the *Explanation* to section 92CA of the said Act, as specified in column (4), of the Table below shall be subordinate to the Director of Income-tax specified in column (3) of the Table;
- (b) the Director of Income-tax, as specified in column (3), shall be subordinate to the Director General of Income-tax specified in column (2) of the aforesaid Table.

Table

S. No.	Chief Commissioner/Director	Commissioner/Director of Income-tax	Transfer Pricing Officer
(1)	(2)	(3)	(4)
1.	Director General of Income-tax (International Taxation)	Director of Income-tax (Transfer Pricing), Delhi.	(i) Joint Commissioner of Income-tax (Transfer Pricing Officer-I), Delhi. (ii) Joint Commissioner of Income-tax (Transfer Pricing Officer-II), Delhi.
2.		Director of Income-tax (Transfer Pricing), Mumbai.	(i) Joint Commissioner of Income-tax (Transfer Pricing Officer-I), Mumbai. (ii) Joint Commissioner of Income-tax (Transfer Pricing Officer-II), Mumbai.
3.		Director of Income-tax (Transfer Pricing), Bangalore.	(i) Joint Commissioner of Income-tax (Transfer Pricing Officer-I), Bangalore. (ii) Joint Commissioner of Income-tax (Transfer Pricing Officer-II), Bangalore.
4.		Director of Income-tax (Transfer Pricing), Kolkata	(i) Joint Commissioner of Income-tax (Transfer Pricing Officer-I), Kolkata. (ii) Joint Commissioner of Income-tax (Transfer Pricing Officer-II), Kolkata.
5.		Director of Income-tax (Transfer Pricing), Chennai	(i) Joint Commissioner of Income-tax (Transfer Pricing Officer-I), Chennai. (ii) Joint Commissioner of Income-tax (Transfer Pricing Officer-II), Chennai.

This Notification shall come into force with effect from the date of publication in the Official Gazette.



Notification : No. 50/2003 [F.No. 500/1 8/2002-F TD], dated 12-3 -2003.

25.4.3 Computation of income from international transaction having regard to arm's length price

The provisions relating to transfer prior contained in sections 92 to 92F of the Income-tax Act, have come into force with effect from assessment year 2002-03. In terms of the provisions, income from an international transaction is to be computed having regard to arm's length price between the associated enterprises. Further, in terms of section 92CA, a Transfer Pricing Officer, on a reference received from the Assessing Officer, is required to determine arm's length price of an international transaction by an order and the Assessing Officer is required to compute the income having regard to the price so determined by the TPO. The notification regarding jurisdiction of TPOs and their controlling officers have been issued by the Central Board of Direct Taxes and the copies thereof are enclosed for ready reference as Annexure II. In order to maintain uniformity of procedure and to ensure that work in this important area proceeds smoothly and effectively, the following guidelines are hereby issued:

- (i) **Reference to Transfer Pricing Officer (TPO)** - The power to determine arm's length price in an international transaction is contained in sub-section (3) of section 92C. However, section 92CA provides that where the Assessing Officer considers it necessary or expedient so to do, he may refer the computation of arm's length price in relation to an international transaction to the TPO. Sub-section (3) of section 92CA provides that the TPO after taking into account the material available with him shall, by an order in writing, determine the arm's length price in accordance with sub-section (3) of section 92C. Sub-section (4) of section 92CA provides that on receipt of the order of the TPO, the Assessing Officer shall proceed to compute the total income of the assessee having regard to the arm's length price, determined by the TPO. Thus, whereas the determination of the arm's length price, wherever reference is made to him, is required to be done by the TPO under sub-section (3) of section 92CA, read with sub-section (3) of section 92C, the computation of total income having regard to the arm's length price so determined by the TPO is required to be done by the Assessing Officer under sub-section (4) of section 92C, read with sub-section (4) of section 92CA.

In order to make a reference to the TPO, the Assessing Officer has to satisfy himself that the taxpayer has entered into an international transaction with an associated enterprise. One of the sources from which the factual information regarding international transaction can be gathered is Form No. 2CEB filed with the return which is in the nature of an accountant's report containing basic details of an international transaction entered into by the taxpayer during the year and the associated enterprise with which such transaction is entered into, the nature of documents maintained and the method followed. Thus, the primary details regarding such international transactions would normally be available in the accountant's report. The Assessing Officer can arrive at a *prima facie* belief on the basis of these details whether a reference is considered necessary. No detailed enquiries are needed at this stage and the Assessing Officer should not embark upon scrutinizing the correctness or otherwise of the price of the international transaction at this stage. In the initial years of implementation of these provisions and pending development of adequate data base, it would be appropriate if a small number of cases are selected for scrutiny of transfer price and these are dealt with effectively. The Central Board of Direct Taxes, therefore, have decided that wherever the aggregate value of international transaction exceeds Rs. 5 crores, the case should be picked up for scrutiny and reference under section 92CA be made to the TPO. If there are more than one transaction with an associated enterprise or there are transactions with more than one associated enterprises the aggregate value of which exceeds Rs. 5 crores, the transactions should be referred to the TPO. Before making reference to the TPO, the Assessing Officer has to seek approval of the Commissioner/Director as contemplated under the Act. Under the provisions of section 92CA reference is in relation to the international transaction. Hence all transactions have to be explicitly mentioned in the letter of reference. Since the case will be selected for scrutiny before making reference to the TPO, the Assessing Officer may proceed to examine other aspects of the case during pendency of assessment proceedings but await the report of the TPO on the value of international transaction before making final assessment.

The threshold limit of Rs. 5 crores will be reviewed depending upon the workload of the TPOs.

The work relating to selection of cases for scrutiny and reference to TPO on the above basis in respect of pending returns filed for the assessment year 2002-03 should be completed by June 30, 2003.



(ii) **Role of Transfer Pricing Officer:** The role of the TPO begins after a reference is received from the Assessing Officer. In terms of section 92CA this role is limited to the determination of arm's length

price in relation to the international transaction(s) referred to him by the Assessing Officer. If during the course of proceedings before him it is found that there are certain other transactions which have not been referred to him by the Assessing Officer, he will have to take up the matter with the Assessing Officer so that a fresh reference is received with regard to such transactions. It may be noted that the reference to the TPO is transaction and enterprise specific.

The transfer price has to be determined by the TPO in terms of section 92C. The price has to be determined by any one of the methods stipulated in sub-section (1) of section 92C and by applying the most appropriate method referred to in section (2) thereof. There may be occasions where application of the most appropriate method provides results which are different but equally reliable. In all such cases, further scrutiny may be necessary to evaluate the appropriateness of the method, the correctness of the data, weight given to various factors and so on. The selection of the most appropriate method will depend upon the facts of the case and the factors mentioned in rules contained in rule 10C. The TPO after taking into account all relevant facts and data available to him shall determine arm's length price and pass a speaking order after obtaining the approval of the DIT(TP). The order should contain details of the data used, reasons for arriving at a certain price and the applicability of methods. It may be emphasized that the application of method including the application of the most appropriate method, the data used, factors governing the applicability of respective methods, computation of price under a given method will all be subjected to judicial scrutiny. It is, therefore, necessary that the order of the TPO contains adequate reasons on all these counts. Copies of the documents or the relevant data used in arriving at the arm's length price should be made available to the Assessing Officer for his records and use at subsequent stages of appellate or penal proceedings.

(iii) **Role of the Assessing Officer after receipt of "arm's length price:** Under sub-section (4) of section 92C, the Assessing Officer has to compute total income of the assessee having regards to the arm's length price so determined by the TPO. While sub-section (4) of section 92CA clearly provides that such computation of income will be made having regard to the arm's length price so determined by the TPO, it is imperative that a formal opportunity is given to the taxpayer before making adjustments to the total income. The opportunity with regard to the determination of arm's length price has already been given by the TPO and, therefore, opportunity by the Assessing Officer, for final determination of income under sub-section (4) of section 92C, read with sub-section (4) of section 92CA is to be given by the Assessing Officer.

(iv) **Maintenance of data base:** It is to be ensured by the DIT (Transfer Pricing) that the reference received from the Assessing Officer is dealt with expeditiously so as to leave the Assessing Officer with sufficient time to offer an opportunity of being heard to the taxpayer before computing the income and completing the assessment. In order to ensure that all the references are attended to timely and effectively, a record of all such developments should be maintained in the format enclosed as Annexure I to these guidelines. This format will also serve as an important data base for future action and also help ensure uniformity in the determination of "arm's length price" in identical or substantially identical cases.

These instructions are under section 119 of the Income-tax Act.

**Annexure I**

Register of record to be maintained by Transfer Pricing Officer :

1	2	3	4	5	6	7	8	9	10	11	12	13
S. No.	Date of receipt of reference from A.O.	Name of the A.O. making reference	Name and address of the taxpayer and nature of business	Nature and quantum of international transaction as per section 92B and assessment year	Name and address of the associated enterprise and the country in which it is resident	Nature of association as per section 92A	Date of issue of notice to taxpayer	Transfer price as taken by the taxpayer	Arms' length price as determined by the Transfer Pricing Officer under section 92CA(3)	Method applied	Reference to any database adopted by T.P.O.	Date of despatch of the order of the A.O.

Annexure II

Order under section 120, read with section 92CA of the Income-tax Act, 1961, dated April, 2003

In exercise of the power conferred by sub-section (1) and sub-section (2) of section 120 of the Income-tax Act, 1961, the Central Board of Direct Taxes hereby directs that the Transfer Pricing Officers mentioned in column 2 having their headquarters mentioned in column 3 shall exercise such powers and perform such function of Transfer Pricing Officers as mentioned in section 92CA for the purpose of sections 92C and 92D of the Act, in respect of persons or classes of persons mentioned in column 5 :

Schedule

Sl. No	Designation of the Income-tax Authorities	Head Quarter	Territorial Area	Persons or class of Persons
(1)	(2)	(3)	(4)	(5)



1.	(i)	Joint Commissioner of Income-tax(Transfer Pricing Officer-I)	Delhi	Areas lying within the territorial limits of States of Delhi, Rajasthan, Punjab, Haryana, Jammu and Kashmir, Uttar Pradesh, Uttaranchal, Himachal Pradesh.	Persons or class of persons whose names begin with alphabet A to L and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
	(ii)	Joint Commissioner of Income-tax(Transfer Pricing Officer-II)	Delhi	Areas lying within the territorial limits of States of Delhi, Rajasthan, Punjab, Haryana, Jammu and Kashmir, Uttar Pradesh, Uttaranchal, Himachal Pradesh	Persons or class of persons whose names begin with alphabet M to Z and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
2.	(i)	Joint Commissioner of Income-tax (Transfer Pricing Officer-I)	Mumbai	Area lying within the territorial limits of States of Maharashtra, Gujarat, and Madhya Pradesh, Daman and Diu	Persons or class of persons whose names begin with alphabet A to L and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
	(ii)	Joint Commissioner of Income-tax (Transfer Pricing Officer-II)	Mumbai	Areas lying within the territorial limits of States of Maharashtra, Gujarat, and Madhya Pradesh, Daman and Diu	Persons or class of persons whose names begin with alphabet M to Z and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
3.	(i)	Joint Commissioner of Income-tax (Transfer Pricing Officer-I)	Bangalore	Areas lying within the territorial limits of States of Karnataka, Goa, Andhra Pradesh	Persons or class of persons whose names begin with alphabet A to L and are assessed or assessable Within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.



	(ii)	Joint Commissioner of Income-tax (Transfer Pricing Officer-I)	Bangalore	Areas lying within the territorial limits of States of Karnataka, Goa, Andhra Pradesh	Persons or class of persons whose names begin with alphabet M to Z and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
4.	(i)	Joint Commissioner of Income-tax (Transfer Pricing Officer-I)	Chennai	Areas lying within the territorial limits of States of Tamil Nadu and Kerala, Pondicherry, Lakshadweep, Andaman and Nicobar Islands	Persons or class of persons whose names begin with alphabet A to L and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
	(ii)	Joint Commissioner of Income-tax (Transfer Pricing Officer-II)	Chennai	Areas lying within the territorial limits of States of Tamil Nadu and Kerala, Pondicherry, Lakshadweep, Andaman and Nicobar Islands	Persons or class of persons whose names begin with alphabet M to Z and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
5.	(i)	Joint Commissioner of Income-tax (Transfer Pricing Officer-I)	Kolkata	Areas lying within the territorial limits of States of Kolkata, North East Region, Orissa, Jharkhand, Bihar, Chhattisgarh.	Persons or class of persons whose names begin with alphabet A to L and area assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.
	(ii)	Joint Commissioner of Income-tax (Transfer Pricing Officer-II)	Kolkata	Areas lying within the territorial limits of States of Kolkata, North East Region, Orissa, Jharkhand, Bihar, Chhattisgarh.	Persons or class of persons whose names begin within alphabet M to Z and are assessed or assessable within the jurisdiction of Assessing Officer having their office in the territorial area indicated in column 4.

Instruction: No. 3 of 2003, dated 20-5-2003.

25.5 Reference to Transfer Pricing Officer in cases where assessee had entered into an International transaction

Instruction No. 2/2003 was issued for picking up of cases for scrutiny and for reference to Transfer Pricing Officers in cases where the assessee had entered into an international transaction whose commutative value exceeds Rs. 5 crore. However, doubts have been expressed as to whether instructions could be carried out in view of the general restriction on picking of



the cases for scrutiny as this work is expected to be carried out through computer software.

It is hereby clarified that the picking up of the cases for scrutiny for the purposes of reference to T.P.O. was approved by the CBDT with a specific purpose of ensuring that the transfer pricing regulations are implemented timely and uniformly. The instruction has to be carried out manually till such time a computer software for the same is made available to the officer. Computer Software when developed will include these international transactions also as one of the criteria for picking up the cases for scrutiny.

Source: *Instruction No. 8/2003, dated 11-8-2003.*

25.6 TRANSFER PRICING MANIPULATION

Transfer Pricing Manipulation (TPM) means fixing transfer price on non-market basis which generally results in saving the total quantum of organization's tax by shifting accounting profits from high tax to low tax jurisdictions. The implication is moving of one nation's tax revenue to another.

A similar phenomenon exists in domestic markets where different states attract investment by under cutting VAT rates, leading to outflow from one state to another state.

25.6.1 MOTIVATIONS FOR TPM

It is not just the Corporate Tax differential that induces organizations to manipulations in Transfer Pricing. Some of the other reasons are:

- High Customs Duty – leading to under-invoicing of goods.
- Restriction on Profit Repatriation – leading to over-invoicing of raw materials, etc transferred from parent country, hence compensating for locked FOREX.
- Ownership Restrictions (E.g. Insurance Sector – 26%) – since this leads to less than justified returns on the technology or knowledge invested in the JV, MNEs circumvent it through over charging on royalties for technology, etc.

There can be various other similar motivations for TPM. The transactions most likely disputed by Governments are Administration & Management Fees, Royalties for intangibles and transfer of finished goods for resale. (*Source: E & Y Survey*)

25.6.2 CHECKING TRANSFER PRICING MANIPULATION

To check the transfer pricing manipulation, the Finance Act 2001 introduced detailed Transfer Pricing regulations w.e.f. 1st April, 2001, which have been mentioned above.

25.7 Determination of Cost of Production

To determine transfer pricing, the Institute has issued a Cost Accounting Standards-CAS-4 "COST ACCOUNTING STANDARD ON COST OF PRODUCTION FOR CAPTIVE CONSUMPTION" and CAS-4 has already been approved and notified by the Central Board of Excise & Customs (CBEC) for determining Cost of products, services or activities. CAS-4 has been very useful in settling long pending cases of valuation of captive consumption between the department (CBEC) and the assessees.

25.7.1 COMPETITION COMMISSION OF INDIA

Competition Commission of India has also issued notification for determination of Cost of Production relevant to transfer pricing; the relevant extract of Notification (**No. 6 of 2009**)- **The Competition Commission of India (Determination of Cost of Production) Regulations, 2009** dated 20th August 2009 is given in Chapter-"Other Regulatory Authorities".

25.8 Role of Cost Accountants in Transfer Pricing



From the above discussion, it is mentioned that the transfer pricing area is predominately belong to cost accountants. In determining transfer price they may refer to CAS-4 referred above.

25.9 Predatory Pricing

The predatory pricing is a device used by a competitor not to benefit the consumers but to eliminate the competitor and once the object is achieved the price returns back to normal or even higher, if recoupment is also desired. Thus, if a predator succeeds in such a strategy, it is not the competitor alone but the consumer who is ultimately hurt in the long run. Text and provisions under Competition Commission of India relating to predatory pricing have been given in Chapter “Other Regulatory Authorities-Competition Commission of India”.



Chapter-26

Role of Cost Accountants in Panchayat

Before the Role of Cost Accountants in Panchayat is mentioned, the brief relating to Panchayat System is given below:

26.1 Panchayati Raj Institution

The term 'Panchayati Raj' is relatively new, having originated during the British administration. 'Raj' literally means governance or government. It is a decentralized form of Government where each village is responsible for its own affairs, as the foundation of India's political system. The term is referred to as "Gram Swaraj" or Village Self-governance. It was adopted by state governments during the 1950s and 60s as laws were passed to establish Panchayats in various states. It also found backing in the Indian Constitution, with the 73rd amendment in 1992 to accommodate the idea. The Amendment Act of 1992 contains provision for devolution of powers and responsibilities to the panchayats to both for preparation of plans for economic development and social justice and for implementation in relation to twenty-nine subjects listed in the eleventh schedule of the constitution. The panchayats receive funds from three sources i.e. local body grants, as recommended by the Central Finance Commission, funds for implementation of centrally-sponsored schemes, and funds released by the state governments on the recommendations of the State Finance Commissions.

26.1.1 PANCHAYATI RAJ IN INDIA -73RD CONSTITUTIONAL AMENDMENT

The 73rd Constitutional Amendment Act was passed by the Parliament in April 1993. The Amendment provided a Constitutional status to the Panchayati Raj Institutions in India and left no discretion with the State governments in several important matters pertaining to these Institutions. Before the 73rd Amendment was made effective, Article 40 of the original Constitution provided for a Directive to the government to take steps to organise village Panchayats and endow them with the powers and authority as may be necessary to enable them to function as the units of self-government. But, by mid-eighties it was realised that the said Directive was not sufficient to institutionalise Panchayati Raj in India.

Article 40 of the Constitution clearly declares '*The state shall take necessary actions to organize village Panchayats and to endow them with such powers and authority as may be necessary to enable them to function as units of self-government*'.

The aim was to foster democratic participation, to involve villagers in the development of the community and to reduce the burden of higher level of administration. The 73rd Amendment Act has added a new Part in the constitution-**Part Nine** – consisting of 16 Articles and the 11th Schedule. The functions of the Panchayati Raj institutions have been clearly spelt out in Article 243G of the Constitution, read with Article 243 ZD and the 11th Schedule. The PRIs are supposed to be genuine institutions of local self government, not adjuncts to the implementing agencies of State governments.

The constitution, which describes them as institutions of local self-government, says that this status is given to them for two specific purposes planning for economic development and social justice and implementing these plans. Moreover, it says that this process of empowering them through devolution in order to enable them to plan and implement their own programmes of neighborhood economic development and social justice will be governed by the laws of the legislatures of the States. The Constitution says in the 11th Schedule that this empowerment shall relate or could relate to the 29 subjects listed in the Schedule. Any form of Panchayati Raj that falls short of this cannot be described as genuine Panchayati Raj.



Main Feature of 73rd Amendment Act

The main features of the Act are:

- (i) a 3-tier system of Panchayati Raj for all States having population of over 20 lakh;
- (ii) Panchayat elections regularly every 5 years;
- (iii) reservation of seats for Scheduled Castes, Scheduled Tribes and women (not less than one-third of seats);
- (iv) appointment of State Finance Commission to make recommendations as regards the financial powers of the Panchayats and
- (v) constitution of District Planning Committees to prepare development plans for the district as a whole. As per the Constitution (73rd Amendment) Act, the Panchayati Raj Institutions have been endowed with such powers and authority as may be necessary to function as institutions of self government and contains provisions of devolution of powers and responsibilities upon Panchayats at the appropriate level with reference to:
 - (a) the preparation of plans for economic development and social justice; and
 - (b) the implementation of such schemes for economic development and social justice as may be entrusted to them.

26.1.2 Financial Powers of Panchayati Raj Institutions

Article 243-G of the Constitution of India provides that the States/UTs may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and to prepare plans for economic development and social justice and their implementation including those in relation to the matters listed in the Eleventh Schedule.

As per Article 243-H of the Constitution, State Legislatures have been empowered to enact laws;

- (i) to authorise a Panchayat to levy, collect and appropriate some taxes, duties, tolls and fees;
- (ii) to assign to the Panchayat, some taxes, duties, tolls levied and collected by the State Government;
- (iii) to provide for making grants-in-aid to the Panchayats from the Consolidated Fund of the State; and
- (iv) to provide for constitution of such funds for Panchayats for crediting all money received by or on behalf of Panchayats and also the withdrawal of such money there from.

26.2 Objectives of Panchayati Raj

The main objective of Panchayati Raj is to develop a system of devolvement and democratic decentralization of powers with an aim of fostering rapid social and economic development and prompt justice. Some social developmental measures include

- Improving school infrastructure and quality of education
- Increase water and electricity availability
- Reduce the occurrence of communicable diseases
- Increase income generated per household

26.3 Government Plans, Programmes & Initiative through Panchayati Raj

The following plans, programmes & initiatives have been taken by Government through Panchayati Raj institutions:



26.4 Role of Cost Accountants in Panchayats

From the above schemes under Panchayati Raj, the following role of cost accountants may be visualized:

- 1 Planning and budgeting for each of the scheme based on the resources allocated by the Government/agencies;
- 2 Monitoring proper and cost effective utilization of funds allocated for these schemes;
- 3 Appropriate cost effective resource procurement and resource management;
- 4 Design and maintenance of proper implementation process;
- 5 Design and maintenance of delivery system;
- 6 Assist in installation of strong follow-up, reviewing and monitoring to take the scheme forward and to augment its outreach and efficacy.
- 7 Transparency and accountability for both inputs and outputs;
- 8 Assist in implementation of scheme for economic development and social justice;
- 9 Assist in reporting and preparation of various Reports and Returns prescribed under the Scheme;
- 10 Continuous monitoring to ensure prevention of leakage of funds;

The Government of India allocates huge funds for these schemes and main objective of the Government is to ensure that the benefits from the schemes should reach to the people for which these schemes have been implemented.

A comprehensive system of monitoring is to be adopted under each scheme. The programme is monitored from the Central level down to the grass root level. At the Central level, the Central Level Co-ordination Committee (CLCC) monitors and reviews the implementation of the Programme and lays down Policy Guidelines for all aspects related to credit linkages etc. The Performance Review Committee for each Project/Scheme reviews the implementation of the scheme. At the State level, a State Level Coordination Committee (SLCC) monitors the Programme. In addition, the progress under the Scheme is monitored periodically through Reports and Returns submitted by the agencies named in the Scheme. Detailed monitoring formats for reporting progress of the Programme are circulated to all the concerned. Implementation of the Programme is monitored and reviewed through the Project Directors. Workshops and periodic meetings with the State Secretaries are held to monitoring the successful implementation of scheme. At the Block level, monitoring is done through field visits and physical verification of assets.

In view of above, there is a need for the installation of strong follow-up, reviewing and monitoring systems apart from identification of committed manpower and resource persons at all levels to take the scheme forward and to augment its outreach and efficacy. The cost accountants can play major role in the above activities. In summary it is mentioned that costing and management for these schemes are essential to prevent leakage of funds and to ensure that the benefits from these schemes are reached to targeted persons.

Cost Accountants role in the above activities may be summarized as follows:

- 1 Periodical reporting of all cost and financial data pertaining to the Panchayats linked to outcome, matched with funds, inputs and outputs;
- 2 Periodical verification of costs and performances of Panchayats;
- 3 Accounting so that the benefits for each scheme are percolated to the targeted people;
- 4 Social Accounting and Social Audit;
- 5 Capacity Building and training for Panchayats.
- 6 Acting as key resource person for rural business hubs.



Keeping in view huge requirement of junior level accountants particularly for Panchayats, the Institute has launched a Certificate Course in Accounting Technicians. The details of Course can be viewed at Institute's Website: <http://www.icwai.org>.

To find more details regarding accounting and costing system the members may refer Institute's Research Publication titled "***Accounting and Costing Systems in Panchayat: Role of Cost Accountants***".



Chapter-27

Municipal Accounting on Accrual Basis

The Ministry of Urban Development (MoUD), Government of India has taken several initiatives to make urban local bodies self sustaining viable entities of local-self government.

In pursuance of the recommendations of the Eleventh Finance Commission and Guidelines for the Utilization of Local Bodies Grants issued by Ministry of Finance, Department of Expenditure, Government of India, the Comptroller and Auditor General of India (CAG) was to prescribe the Accounting and Budget Formats for Urban Local Bodies (ULB). Accordingly, CAG constituted a Task Force, which submitted its report on Accounting and Budget Formats for ULB to the Ministry of Urban Development (MoUD). The report of the Task Force was accepted by the Government of India and forwarded to State Governments for implementation, keeping in view the local requirements.

The CAG, with USAID FIRE-D support, prepared model national municipal accounts manual and a companion model-training manual and common software for computerization of budget and accounts and these have been provided by the MoUD to the State Governments. Based on these, the State Governments can prepare state-level accounting manual, state level training manual and adopt the software according to their requirements.

27.1 National Municipal Accounts Manual (NMAM)

The NMAM contains the required forms, formats, procedures, accounting entries, periodical statements, reconciliation procedures, etc with respect to transactions of the ULB. The recommended principles for accounting have also been included.

27.1.1 Training Manual

This training manual is targeted at the Elected Representatives and the Top Management of the ULB. It gives an overview of the accounting system and also helps the reader in understanding the financial statements. The training manual opens with a brief introduction to the Accrual Based Double Entry System of Accounting including the Accounting Principles. An overview of the NMAM is given in Chapter 4 and Chapter 5 provides an understanding of the financial statements and Management Information System (MIS) reports.

More details on National Municipal Accounts Manual (NMAM) and Training Manual may be viewed at the website: [http://www.urbanindia.nic.in/publicinfo/na_municipal_acc_manual/na_mu_ac_ma\(ER\).pdf](http://www.urbanindia.nic.in/publicinfo/na_municipal_acc_manual/na_mu_ac_ma(ER).pdf)

Based on the guidelines contained in National Municipal Accounts Manual (NMAM) and Training Manual, the State Governments initiated the action for preparation of their manual and advertised their requirements. A sample regarding the scope and work involved in Municipal Accrual System of Accounting is given below:

27.1.2 PREPARATION OF POLICY FRAME WORK

1. Rapid assessment of the existing accounting system and requirement for smooth transition into the proposed system.
2. Review of accounting reforms at select other states.



3. Rapid Assessment and Review of legislative framework with reference to the existing laws and procedures.
4. Review the draft Municipal Accounts Manual and revision to the extent needed.
5. Drafting of required amendments in Municipal Act and Rules to make and facilitate Double Entry Accounting System compulsory and of accounts rules.
6. Design of Double Entry Accounting system on accrual basis to be adopted by each of the bodies.

27.1.3 PREPARATION OF COMMON ACCOUNTING MANUAL

1. Preparation of a Common Municipal Accounting Manual based on National Municipal Accounts Manual
2. Development of double entry based Budgeting and Auditing Manual
3. Internal Controls and Procedures
4. Design of Chart of Accounts with Account-Code.(based on NMAM recommendations)

27.1.4 DEVELOPING NEW SYSTEMS AND PROCEDURES

1. Business process reengineering, as required with reference to the new system of accounting.
2. Framing of Accounting Policies, Budget Regulations
3. Formats of Financial Statements, Reports, Vouchers, Forms and Registers in the new system.
4. Design and implementation of appropriate Budgetary Control System (accrual based budgeting) in line with new accounting system and linkage between budgetary system and financial management information system and decision-making system.
5. Design of the following supporting systems :-
 - (i) Asset Information System
 - (ii) Revenue Information System
 - (iii) Demand Collection Balance System (Assessee wise)
 - (iv) Inventory System
 - (v) Works contracts management
 - (vi) Stores and inventory management
 - (vii) Capital Work in Progress System
 - (viii) Municipal Management Information System (Financial)
 - (ix) User charges billing system
 - (x) Procurement systems
 - (xi) Other systems as required
6. Strengthening Pay Roll System and grouping employees under Function wise
7. Review the existing system in the Revenue Department and do the changes for meeting the accrual based double entry concept



27.2 Empanelment of Cost Accountants by Kerala Government

The Cochin Chapter of Cost Accountants represented with the Kerala Government and submitted a proposal offering the services of Cost Accountants for the preparation of Opening Balance Sheet of the Municipalities. Accordingly, Government of Kerala has allowed Cost Accountants in practice to provide their services. The Institute is taking up with Ministry of Urban Development at National level for utilization of services of cost accountants by other State Governments also.

The copy of the letter received from Government of Kerala is placed below for information of members:



GOVERNMENT OF KERALA

Abstract

Local Self Government Department- Adoption of Double Entry Accrual based system of Accounting implemented in Corporations and Municipalities-permissive sanction to utilize the services of cost accountants-orders issued.

LOCAL SELF GOVERNMENT (AA) DEPARTMENT

GO (Rt) No. 1639/2010/LSGD _____ Dated, Thiruvanthapuram, 17.5.2010

Read: - G.O. (Ms) 23/2010/LSGD dated 4.2.2010

ORDER

As per G.O. read above, Government have ordered the implementation of Double Entry Accounting System in the Municipalities and the Urban Local Bodies were allowed to utilize the services of a Chartered Accountant or a qualified person for the preparation of opening Balance Sheet. The Institute of Cost and Works Accountants of India, Cochin chapter had submitted a proposal offering the services of Cost Accountants for the preparation of Opening Balance Sheet of the Municipalities. Their proposal is that the Chapter would propose the names of Cost Accountants who may be appointed by ULBs. ICWAI (Cochin chapter) have requested that the remuneration should not less than Rs. 20000/-

2. Government have examined the matter in detail and the municipalities are hereby permitted to utilize the services of Cost Accountants/ Chartered Accountants/ Professionally qualified persons for the preparation of opening Balance Sheet as on 31st March 2010 at a remuneration not exceeding Rs. 20000/- (Rupees twenty thousand only). It should be ensured that any person / agency should only be engaged on the basis of a contract with clear terms about the terms of payment and period of completion of the work. The agency shall prepare the opening Balance Sheet as per the templates given in Kerala Municipal Accounts Manual and its duties would include :

- (i) Updating of records,
- (ii) Verification of assets and liabilities,
- (iii) Checking with original records and title deeds etc.



- (iv) Valuation/ costing of fixed assets as per the provisions of Kerala Municipal Accounts Manual
- (v) Compilation of information which should be approved by the Municipal Council,'

3. Expenditure in this regard shall be met from Own Fund/ General Purpose Fund.

By order of the Governor
S.M. VIJYANAND
PRINCIPAL SECRETARY

To,

The Principal Accountant General (Audit), Kerala, Tvpm.

The Accountant General (A & E), Kerala, Tvpm.

The Secretaries of all Municipalities

The Director of Urban Affairs, Tvpm.

The Executive Chairman, Director, IKM, Tvpm.

The Director, KILA, Mulankunnathukavu, Thrissur.

The Project Director, KSUDP, Tvpm.

The Director, Local Fund Audit, Tvpm.

The Director, I & PRD

Stock File/ Office Copy.

Forwarded/ By Order
Sd/-
Section Officer



Chapter-28

Management Consultancy Services

Management Consultancy Services as defined by Council

The Council of the Institute of Cost Accountants of India has defined Management Consultancy Services in its meeting on 16th January, 2005. This definition should be read along with Regulation 111 of the CWA Regulations, 1959. The definition is being reproduced below for reference.

Definition of “Management Consultancy Services”

“The expression ‘Management Consultancy Services’ shall not include the function of statutory periodical audit, tax (both direct taxes and indirect taxes) representation or advise concerning tax matters or acting as liquidator, trustee, executor, administrator, arbitrator or receiver, but shall include besides all functions done as cost accountant the following:

- (i) Financial management planning and financial policy determination.
- (ii) Cost management planning and costing policy determination.
- (iii) Capital structure planning and advice regarding raising finance.
- (iv) Working capital management.
- (v) Preparing project reports and feasibility studies.
- (vi) Preparing cash budget, cash flow statements, profitability statements, statements of sources and application of funds.
- (vii) Budgeting including capital budgets and revenue budgets.
- (viii) Inventory management, material handling and storage.
- (ix) Market research and demand studies.
- (x) Price- fixation and other management decision making.
- (xi) Management accounting systems including TCM, TQM, BPR, cost control and value analysis.
- (xii) Control methods and management information and reporting.
- (xiii) Personnel recruitment and selection.
- (xiv) Setting up executive incentive plans, wage incentive plans etc.
- (xv) Management, operational, quality, environmental and energy audits.
- (xvi) Valuation of shares and business and advice regarding amalgamation, mergers and acquisitions etc.
- (xvii) Business policy, corporate planning, organisation development, growth and diversification.
- (xviii) Organisation structure and behavior, development of human resources including design and conduct of training programmes, work study, time study, job-description, job evaluation and evaluation of work loads.



- (xix) Systems analysis and design and computer related services including selection of hardware and development of software in all areas of services which can otherwise be rendered by a cost accountant in practice and also to carry out any other professional services relating to EDP, e - filing etc.
- (xx) Acting as advisor or consultant to an issue, including such matters as:-
- (a) drafting of prospectus and memorandum containing salient features of prospectus. Drafting and filing of listing agreement and completing formalities with Stock Exchanges, Registrar of Companies and SEBI.
 - (b) Preparation of publicity budget, advice regarding arrangements for selection of (i) ad-media (ii) centres for holding conferences of brokers, investors etc. (iii) bankers to issue (iv) collection centres (v) brokers to issue (vi) underwriters and the underwriting arrangement, distribution of publicity and issue material including application form, prospectus and brochure and deciding on the quantum of issue material (In doing so, the relevant provisions of the Code of Conduct must be kept in mind).
 - (c) Advice regarding selection of various agencies connected with issue, namely Registrar to issue, printers and advertising agencies.
 - (d) Advice to the post issue activities, e.g. follow up steps which include listing of instruments and dispatch of certificates and refunds with the various agencies connected with the work.

Explanation: For removal of doubts, it is hereby clarified that the activities of broking, underwriting and portfolio management are not permitted.

- (xxi) Investment counseling in respect of securities [as defined in the Securities Contracts (Regulation) Act, 1956 and other financial instruments.] (In doing so, the relevant provisions of the Code of Conduct must be kept in mind).
- (xxii) Acting as registrar to an issue and for transfer of shares / other securities. (In doing so, the relevant provisions of the Code of Conduct must be kept in mind).
- (xxiii) Acting as recovery consultant in Banking Sector
- (xxiv) Insurance Financial Advisory services under the Insurance Regulatory Development Authority Act, 1999, including Insurance Brokerage.

The cost accountants are offering services like Cost Management, Techno-economic Study, Systems, Computerization, ERP, Insurance companies and other Financial Institutions, Financial Management, Project Consultancy, Materials Management, Management Accountancy, Tax Planning, Diagnostic Accounting & Revival of Sick Units, Merchant Banking, Investment Counseling & Portfolio Management, Internal Management and Operational Audits, Organization Structure Review, Training and Executive Selection, Incentive Plans, Productivity, Conservation of Energy and Energy Audit and Environmental Audit etc

28.1 Business Plans

A **Business Plan** is a formal statement of a set of attainable business goals by an enterprise. It may also contain background information about the organization or team attempting to reach those goals. Each and every organization, whether for-profit or non-profit, prepares some kind of Business Plan. For-profit business plans typically focus on financial goals, such as profit or creation of wealth. Non-profit and government agency business plans tend to focus on organizational mission which is the basis for their governmental status or their non-profit, tax-exempt status, respectively. However, non-profits may also focus on optimizing revenue. In non-profit organizations, have to put more efforts to balance mission with "margin" or revenue.



A good business plan can help to make a good business credible, understandable, and attractive to someone who is unfamiliar with the business. Writing a good business plan can't guarantee success, but it can go a long way toward reducing the odds of failure.

Cost Accountants may assist their clients in preparing good Business Plan. Some of the tips are given below:

- First and foremost, it will define and focus the objective using appropriate information and analysis.
- This can be used as a selling tool in dealing with important relationships including the lenders, investors and banks.
- Business plan can uncover omissions and/or weaknesses in the planning process.

Cost Accountants can use the plan to solicit opinions and advice from employees, including those in the same field of business and can give freely invaluable advice.

28.1.1 What should it contain

Business Plan should be short duration e.g. for ONE YEAR duration. Better to stick with short-term objectives and modify the plan as the business progresses. Too often, long-range planning becomes meaningless because the reality of the business can be different from initial concept.

The Cost Accountants should not ignore spelling out what would be the strategies in the event of business adversities.

Use simple language in explaining the issues. Make it easy to read and understand. The outlines of Business Plan are:

- **Business Profile:** Define and describe the intended business and exactly how the plan to go about it. Focus on the specialized market to serve.
- **Economic Assessment:** Provide a complete assessment of the economic environment in which the business will become a part. Explain how the business will be appropriate for the regulatory agencies and demographics with which it will be dealing.
- **Cash flow assessment:** Include a one-year cash flow. Include the assessment of what could go wrong and plan how the Business will the handle problems.
- Include the Business marketing plan and expansion plans

28.1.2 How Business Plan look like

- cover page and table of contents
- executive summary
- business description
- business environment analysis
- industry background
- competitive analysis
- market analysis
- marketing plan
- operations plan
- Cash Flow Statement
- management summary
- financial plan
- attachment and milestones



28.2 Enterprise Resource Planning

(ERP) has come into its own with the need for faster and better integration of departments. This business tool is used by manufacturers for up-to-date information needed for smooth operations. ERP solutions comprise several modules, each of which encompasses the best business practice that can be implemented for that company.

Enterprise resource planning helps in integrating all departments and functions within a company in a single computer system that serves specific needs of different departments. Enterprise Resource Planning systems (ERPs) integrate (or attempt to integrate) all data and processes of an organization into a unified system. A typical ERP system will use multiple components of computer software and hardware to achieve the integration. A key ingredient of most ERP systems is the use of a unified database to store data for various system modules.

Role which can be played by Cost Accountants in ERP

Since Cost Accountants have knowledge and analytical skills in various fields of Finance, Cost and other related areas, he can play the following role in ERP:

- a) Help the management of an organization to map various activities and areas where ERP can be implemented and integrated with the other Departments to produce the better results for e.g. Finance Module, Human Resource Module, Purchase, Marketing and Store Modules. If these modules are integrated, the activities performed by the organization will be efficient and cost effective;
- b) Help in Process mapping and reengineering exercise;
- c) To understand the requirements of various departments and operations for integration purpose;
- d) Discussion with ERP consultants at various stages of pre-implementation stage;

28.3 Mergers and Acquisitions (M&A)

Mergers and acquisitions (M&A) and corporate restructuring are a big part of the corporate finance world. Every day, we heard that so and so company is being taken over, merged or acquired by someone. M&A transactions, which bring separate companies together to form larger ones. Mergers and acquisitions (M&A) refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity.

An **acquisition**, also known as a **takeover** or a **buyout** or "merger", is the buying of one company by another. An acquisition may be friendly or hostile. Whether a purchase is perceived as a friendly or hostile depends on how it is communicated to and received by the acquired company's board of directors, employees and shareholders. In the case of a friendly transaction, the companies cooperate in negotiations whereas in the case of a hostile deal, the takeover is unwilling to be bought or the company board, which is being acquired, does not have prior knowledge of the offer. Acquisition usually refers to a purchase of a smaller firm by a larger one. Sometimes, however, a smaller firm will acquire management control of a larger or longer established company and keep its name for the combined entity. This is known as a **reverse takeover**. A **reverse merger** occurs when a company that has strong prospects and is eager to raise financing buys a company, usually one with no business and limited assets.

The practice of mergers and acquisitions has attained considerable significance in the contemporary corporate scenario which is broadly used for reorganizing the business entities. Indian industries were exposed to plethora of challenges both nationally and internationally, since the introduction of Indian economic reform in 1991. The cut-throat competition in international market compelled the Indian firms to opt for mergers and acquisitions strategies, making it a vital premeditated option.



28.3.1 Why Mergers and Acquisitions attaining Importance in India

Now the question arises why mergers and acquisitions are taking place in India even after the global recession.

The factors responsible for making the merger and acquisition deals favorable in India are:

- Dynamic government policies
- Corporate investments in industry
- Economic stability
- “ready to experiment” attitude of Indian industrialists

Sectors like pharmaceuticals, IT, ITES, telecommunications, steel, construction, etc, have proved their worth in the international scenario and the rising participation of Indian firms in signing M&A deals has further triggered the acquisition activities in India.

In spite of the massive downturn in 2009, the future of M&A deals in India looks promising. Indian telecom major Bharti Airtel has taken over its the African networks of Zain of Kuwait .

The deal, which puts an enterprise value of \$ 10.7bn on Zain’s African assets, is India’s second-largest overseas acquisition and first significant offshore expansion by one of the country’s telecoms operators.

28.3.2 Ten biggest Mergers and Acquisitions deals in India

1. Tata Steel acquired 100% stake in Corus Group on January 30, 2007. It was an all cash deal which cumulatively amounted to \$12.2 billion. This was the first big takeover by an Indian Company and marked by the arrival of India Inc on the global stage.
2. Vodafone purchased administering interest of 67% owned by Hutch-Essar for a total worth of \$11.1 billion on February 11, 2007.
3. India Aluminium and copper giant Hindalco Industries purchased Canada-based firm Novelis Inc in February 2007. The total worth of the deal was \$6-billion.
4. Indian pharma industry registered its first biggest in 2008 M&A deal through the acquisition of Japanese pharmaceutical company Daiichi Sankyo by Indian major Ranbaxy for \$4.5 billion.
5. The Oil and Natural Gas Corp purchased Imperial Energy Plc in January 2009. The deal amounted to \$2.8 billion and was considered as one of the biggest takeovers after 96.8% of London based companies' shareholders acknowledged the buyout proposal. This was second biggest telecom dal after the Vodafone.
6. In November 2008 NTT DoCoMo, the Japan based telecom firm acquired 26% stake in Tata Teleservices for USD 2.7 billion.
7. India's financial industry saw the merging of two prominent banks - HDFC Bank and Centurion Bank of Punjab. The deal took place in February 2008 for \$2.4 billion.
8. Tata Motors acquired Jaguar and Land Rover brands from Ford Motor in March 2008. The deal amounted to \$2.3 billion.
9. 2009 saw the acquisition Asarco LLC by Sterlite Industries Ltd's for \$1.8 billion making it ninth biggest-ever M&A agreement involving an Indian company.
10. In May 2007, Suzlon Energy obtained the Germany-based wind turbine producer Repower. The 10th largest in India, the M&A deal amounted to \$1.7 billion.



[Source: <http://business.mapsofindia.com/>]

From the above discussion, it may be mentioned that there are numerous reasons for a company to improve shareholder value through a merger or acquisition—increased revenue, market share, geographical expansion, diversification, economies of scale; or to integrate a vertical process such as by acquiring a key supplier.

28.3.3 Role of Cost Accountants in M&A

Regardless of motive, the M&A process can be difficult, slow and often unsuccessful without outside expertise. There are many obstacles from the beginning to end stages for e.g.

- a) Identifying the right company for appropriate business synergy;
- b) Defining how entities integrate for maximum efficiency; and
- c) Follow many regulatory procedures (SEBI Takeover Code, RBI approval etc).

Therefore, Cost accountants may provide his expert advice on the above aspects. Further in the following cases also cost accountants may provide consultancy/expert advice:

- 1) Accurately assessing target companies and synergies worldwide and locating suitable counter-parties.
- 2) Liaison for bringing target company into negotiation;
- 3) Assessing and advising on augmenting the viability.
- 4) Verify fair market value of the target company;
- 5) Perform all due diligence and compliances;
- 6) Be part of Negotiating Team to negotiate terms of agreement;
- 7) Drafting information memoranda for potential buyers/ sellers.
- 8) Structuring and negotiating of terms and conditions for the new entity.
- 9) Determining of share exchange ratio.
- 10) Managing and monitoring of the documentation, transaction and transition process.
- 11) Help in successful transform of the combined organizations to deliver all projected synergies and value.
- 12) Suggest defense strategies against hostile takeovers. Also, look at the impact on people and organization, assessing and delivering programs that manage change effectively.

Lok Sabha has passed Companies Bill 2012 on 18th December 2012. The bill is yet to be passed by the Rajya Sabha. Clause 232 (7) deals with Merger and Amalgamation of Companies, where role of Cost Accountants has been recognized. The clause 232(7) is reproduced below:

“Merger and amalgamation of companies

*232 (7) Every company in relation to which the order is made shall, until the completion of the scheme, file a statement in such form and within such time as may be prescribed with the Registrar every year duly certified by a chartered accountant or a **cost accountant** or a company secretary in practice indicating whether the scheme is being complied with in accordance with the orders of the Tribunal or not.”*



28.4 Insolvency

15th September, 2008 witnessed one of the worst setbacks in the world financial market. Lehman Brothers the 158 year old investment banker of US with international presence filed application under Chapter 11 of the Bankruptcy code in USA. Merrill another financial giant was sold and AIG the insurance major was taken over by the Government. Merrill had 60,000 employees on their rolls while Lehman Brothers employed 25,000 persons. It did not end there. Banks were forced to close down and mergers and acquisitions followed to eliminate weak companies. There were restructurings all over the world in the financial sector.

The banks that started the housing bubble. The bubble's crash led to houses being foreclosed because no one could pay their mortgages. Business slowed down greatly because people needed to save to pay their mortgages. Businesses laid off workers because business slowed down greatly. People cannot pay their mortgage payments because their businesses laid them off. Consequently, the value of home owned by individuals, assets and even retirement funds in retirement portfolio were gone down and there was chaos all over the world including India though India was not effected that much as compared to USA, Russia, and other European countries.

Therefore, the Global financial market disaster in the year 2008 led to recession all over the world including India. Persons were hit by loss of jobs resulting in EMI defaults on credit cards, housing mortgages, consumer and personal loans. FIs, Banks and NBFCs resorted to recovery of loans through any means including use of muscle men who even resorted to physical assault before going to courts. Small borrowers faced hard times as they had borrowed from Banks and Financial Institutions heavily to meet their housing and other requirements. Due to loss of jobs and wage cutting led to non-payment of EMIs. Reports of suicide by defaulters surfaced.

During this period review of the personal insolvency laws surfaced. The two laws regulating personal insolvency in the country are Presidency Town Insolvency Act of 1902 (PTIA) covering Kolkata, Chennai and Mumbai and the Provincial Insolvency Act, 1920 (PIA) applicable to the other places. With increase in volumes in the financial sector with reference to the retail segment there arose an urgent need to make the personal insolvency laws compliant with the prevailing economy.

Recession post September, 2008, saw borrowers and lenders tried to clear off their debt by selling their properties at lower rates to cover up defaults. They suffered huge losses due to this recession. Legal action through the application of the provisions of Section 13 of the SARFAESI Act, 2002 by the Banks was applied to recover the money from the borrowers. Money suits, mortgage suits, criminal complaints increased in the Courts in India. Further, sudden change in the economic scenario caused many individual borrowers to apply before the court to declare themselves insolvent.

Corporate insolvency law applicable to companies governed by the Companies Act, 1956 has the following four objectives:

- (i) restore the debtor company to profitable trading where this is practicable;
- (ii) maximize the return to creditors as a whole where the company itself cannot be saved;
- (iii) establish a fair and equitable system for the ranking of claims and the distribution of assets among creditors, involving a limited re-distribution of rights; and
- (iv) provide a mechanism by which the causes of failure can be identified and those guilty of mismanagement brought to book and, where appropriate, deprived of the right to be involved in the management of other companies.

To ensure fulfillment of the aforesaid objectives, insolvency law provides for a number of legal and administrative instruments and institutional structures. The Companies Act, 1956 adopts the rules of insolvency laid down in the laws and provides the procedural law for corporate insolvency.



Role of Cost Accountants in Insolvency

The cost accountants may provide the consultancy in insolvency in the above areas.

28.5 Business valuation

Business Valuation has become important now-a-days for the corporates due to many reasons including mergers and acquisitions, corporate restructurings, and share repurchases etc. Mergers and acquisitions are not only happening in India but all over world. The valuation of Business is mainly carried out to find out indicative price for acquiring ownership in a Business, infusion of additional equity investment in existing business, assessing the net worth of business for providing debt etc. Various methods have been developed over a period of time to determine valuation of businesses. These methods are based on factors such as intrinsic net worth of assets in business and valuation of intangible assets of the business. The premium for intellectual property, brands, human capital, sweat equity etc became focus of business valuation. Therefore, due importance to all the relevant factors have to be given in arriving at just and fair valuation of businesses to maintain shareholders value. There are various Business Valuation methods. The five most common methods to value a business are:



- 1) Asset valuation,
- 2) Historical earnings valuation,
- 3) Future maintainable earnings valuation,
- 4) Relative valuation (comparable company & comparable transactions),
- 5) Discounted cash flow (DCF) valuation

Professionals who value businesses generally do not use just one of these methods but a combination of some of them, as well as possibly others that are not mentioned above, in order to obtain a more accurate value.

Accurate business valuation is one of the most important aspects of M&A as valuations play a big role on the price at which a business is sold.

The Institute has already published **Management Accounting Guideline (MAG-II)-“Valuation Management- A Tool of Management Accountant”** covering all the above aspects viz. methods and techniques for valuation of business, business ownership interests or intangible assets including variety of other purposes such as acquisitions, mergers, leveraged buyouts, initial public offerings (IPOs), Employee Stock Option, Stock Ownership plans and other share based plans, partners, shareholders buy-in or buyout and Stock Redemption.

International Federation of Accountants (IFAC) has also brought out its publication- “International Good Practice Guidance (IGPG) **on Project Evaluation using Discounted Cash Flow was prepared by them after extensive consultation with the Institute of Cost Accountants of India.** Members may refer to this also at their website: www.ifacnet.com

28.6 Risk Management

28.6.1 Business Risks

Business risks arise due to the uncertainties that can impinge on a company's ability to achieve its objectives and can result in many interdependent outcomes - some negative, some positive. Therefore, risk is associated with uncertainties of outcome in future date. Risk is a function of probability (or likelihood) of an expected state of the world, which may or may not manifest in future. If risk happens the enterprise is exposed to variety of risks. Each enterprise makes the short-term and long term business plans for future its growth viz. Production & Marketing Plans, HR Plans, Corporate Financing, Credit & Borrowings, Cash Flow and Profitability etc. These plans are based on estimates for future and future is uncertain. These plans emanate from Business Objectives. Therefore, business risks relate to business objectives because risk taking is a prerequisite to success - without risk, there is no profit and reward. Accordingly, some risks must be exploited to take advantage of strategic opportunities. Conversely, risks that threaten success must be mitigated. These risks include threats of problems occurring, such as misappropriation of assets, or opportunities not occurring, such as a failure to achieve strategic goals. Enterprise Risk Management (ERM) is a structured and disciplined approach to help management understand and manage business risk. ERM encompasses all business risks using an integrated and holistic approach.

Satyam financial scandal was one of the biggest scandals in corporate world in India. It was called India's Enron. The biggest-ever corporate fraud in the country has been escaped unnoticed for so many years. It has brought into question the levels of corporate governance in the country, and has cast an ugly shadow on the once shining image of Indian industry overseas. Regulators were blindsided, and analysts and experts say there are “systemic flaws” in accounting and audit practices.



So there is risk of manipulation by the companies to shareholders. These scandals highlight how accounting manipulations, especially financial accounting, were used in earning management to misrepresent company performance. Such activities were performed in collusion between managers and auditors. To alleviate these problems, stringent measures were undertaken by regulating institutions in the form of better regulations and more frequent reporting. This has resulted in an increase in the short-term conformance requirements. Such disclosure and audit requirements were regulated so that the investors can trust the short-term performance measures of an organisation such as its ROI, net profit, and share price. In addition, the regulatory bodies also required appropriate functioning of Boards in terms of composition and its behaviour.

The Board needs to ensure that the organisation is able to respond to changing circumstances and take advantage of relevant market opportunities even as it continues to pursue its planned goals and objectives. Corporate governance needs to contribute to both business prosperity and to accountability. In the current environment it is all too easy to forget the former. Nevertheless, business leaders and shareholders alike must ensure that undue concentration on aspects of accountability does not destroy entrepreneurship and ultimately value. Management accounting information systems involve linking long term or strategic goals of an organisation with performance evaluation outcomes. The management accounting and control systems in turn, processes information on the various activities through the data collection, information processing and communicates such information to higher management through internal reports.

28.6.2 Risk Management

Risk management is a process of thinking systematically about all possible risks, problems or disasters before they happen and setting up procedures to avoid the risk, minimise its effects or cope with its impact. Therefore, risk management is simply a practice of systematically selecting cost effective approaches for minimising the effect of threat realization to the organization. All risks can never be fully avoided or mitigated simply because of financial and practical limitations. Hence, all organizations have to accept some level of residual risks. We cannot predict everything that could happen but just talking about risk management will make even the most unpredictable event easier to deal with.

Risk management begins with three basic questions:

What can go wrong?

What will we do to prevent it?

What will we do if it happens?

28.6.3 Types of Risk Management

There are various types of risks and an enterprise in order to be effective and successful has to manage these risks for its growth. If these risks are not managed well the enterprise may not survive long. The following is indicative list of various types of risk management:

1. **Operational risk management:** These risks are connected with operational risk management and basically deal with technical failures and human errors.
2. **Financial risk management:** Financial risks are of those kinds where an enterprise fails to honour its commitment towards non-payment various of clients, LCs and cash credit and increased rate of interest.
3. **Market risk management:** These types of risks are always there and these are market related risks such as interest rate risk, equity risk, commodity risk, and currency risk.
4. **Bank risk management:** These risks are related to banks and these risks are: market risk, credit risk, liquidity risk, legal risk, operational risk and reputational risk.
5. **Project risk management:** An enterprise takes many projects and outcome of each project is full of



uncertainties for e.g. resources, zero date, completion time, time and cost overrun, profitability, cash management, escalation in cost etc.

6. **Credit risk management:** Most of the enterprises have to sell their goods and services on credit basis. The timely realization of debtors is the key to success of business. But there is a risk related to the probability of nonpayment from the debtors.
7. **Commodity risk management:** An Organization also suffers with different types of commodity risks, such as price risk, political risk, quantity risk and cost risk.
8. **Currency risk management:** The currency risks are related to those organizations whose products and services are purchased or sold outside India and consideration of such goods and services are in foreign currency. The foreign currency is exposed to fluctuations and these fluctuations pose risks since organizations have to honour their commitment in foreign currency.
9. **Technology risk management:** Each organization is posed with technological risk in their operations. There are very sharp advancements in this field. A machine acquired during the year may after two or three years become obsolete and may have to be replaced. So process of managing the risks associated with implementation of new technology.
10. **Software risk management:** Likewise software purchased by an enterprise may become obsolete and requires replacement. This Deals with different types of risks associated with implementation of new softwares.

28.6.4 Scope for consultancy for Cost Accountants:

Based on the above discussion, it is mentioned that a cost accountant may do consultancy in risk management and can help the enterprise particularly Chief Executive Officer (CFO) and other financial executives to strengthen their finance functions.