

**MINISTRY OF LAW
DEPARTMENT OF COMPANY AFFAIRS
GOVERNMENT OF INDIA**

New Delhi, the 2nd March, 1967.

COST ACCOUNTING RECORDS (CYCLES) RULES, 1967

G.S.R. 311. - In exercise of the powers conferred by sub-section (1) of Section 642 read with clause (d) of Sub-section (1) of Section 209 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely :-

1. Short Title and Commencement :-

- (1) These rules may be called the Cost Accounting Records (Cycles) Rules, 1967.
- (2) They shall come into force on the 1st day of April, 1967.

2. [Application - They shall apply to every company engaged in the production or manufacture of cycles and components thereof excepting those companies falling under the category of small scale industrial undertakings.]¹

Explanation - For the purpose of this rule, the expression “small scale industrial undertaking” means a company -

(a) [The aggregate value of the machinery and plant installed where in dose not exceed the limit as specified for a small scale industrial undertaking under the industries (Development and Regulation Act 1951 (65 of 1951), as on the last date of the presenting financial year]² and

(b) [The aggregate value of the realization made by the company from the sale or supply of all its products during the preceding financial year does not exceed ten crore rupees.]³

3. Maintenance of Records :-

(1) Every company to which these rules apply shall [in respect of each of its accounting years commencing on or after the 1st day of April, 1967]⁴, but before the 31st day of March, 1999 keep at its registered office or at such other place in India as the Board of Directors of the company may decide in this behalf, proper books of account containing *inter alia* the particulars specified in Schedule I and II annexed to these rules relating to utilisation of material,labour and other items of cost, so far as they are applicable thereto.

(2) Such books of account shall be kept so as to make possible the calculation of the cost of production of cycles and components thereof produced during the financial year of the company (hereinafter,in these rules, referred to as the relevant period) [from the particulars entered therein.]⁵

(3) Every company to which these rules apply shall, in respect of each of its financial year commencing on or after the 1st day of April,1999 keep proper books of account containing,inter alia,the particulars specified in Schedule III and Proforma mentioned in the said Schedule annexed to these rules relating to the utilisation of materials, labour and other items of cost in so far as they are applicable to cycles and components thereof.

¹ Substituted by GSR 538 dated 22nd July 1989

² Replaced by G.S.R.425 (E) dated 3rd August 1998.

³ Inserted by G.S.R.298 (E) dated 24th March 1993.

⁴ Inserted by GSR 1244 dated 7th August 1967

⁵ Inserted by GSR 84 dated 4th January 1968

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

(4) The books of accounts referred to in sub-rules(3) shall be kept on a regular basis in such a manner as to make it possible to calculate the cost of production and cost of sales of all makes of cycles and components thereof for every financial year from the particulars entered therein and every such books of account and the proforma specified in Schedule III annexed to these rules shall be completed not later than nonty days from the closing of the financial year of the company to which they relate.

(5) Statistical and other records shall be maintained in accordance with the provisions of the Schedule III annexed to these rules, which shall be such as to enable the company to exercise as far as possible, control over the various operations and costs with a view to achieve optimum economies in cost and provide the necessary data required by the Cost Auditor to suitably report on all the points referred to in Cost Audit (Reports) Rules,1996.

(6) It shall be the duty of every person, referred to in sub-section (6) and sub-section(7) of section 209 of the Companies Act 1956 (1 of 1956), to take all reasonable steps to secure compliance by the company with the provisions of sub-rules (1),(2),(3),(4) and (5) of this rule in the same manner as he is liable to maintain accounts required under sub-section(1) of section 209 of the said Act”.

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

SCHEDULE I ⁷

(See Rule 3)

I.(A) Raw Materials and Components Purchased

Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values, of each item of raw material and components required for the manufacture of bicycles. The basis on which the value of the purchases and issues have been calculated shall be clearly indicated in the cost records or if so desired by the company in a separate manual of procedure , if any, maintained by the company or in footnotes or separate explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently throughout the relevant period. The values shall include all direct charges up to works such as freight and insurance. Any wastage whether in storage, transit or for other reasons shall be shown separately and the method of dealing with such losses in cost indicated in the cost records by way of footnotes or explanatory notes or in some other suitable manner.

(B) Manufactured Components

Where some of the components are manufactured by the company itself, separate records, showing the cost of manufacturing each such component or a group of components forming a sub-assembly such as frame, fork, handle, brakes, pedals etc. in such details as may enable the company to fill up necessary particulars in pro forma ‘A’ of Schedule II or in a proforma as near thereto as may be possible shall be maintained.

⁶ Substituted by GSR 774 dated 3rd June 1977

⁷ applicable up to 31st March 1999

⁶Records of quantities and values of manufactured components or group of components forming a sub-assembly shall be kept on the lines on which such records in the case of raw materials and purchased component are kept . The value of such components shall be based on the cost of manufacturing them.

Any wastage, whether in storage, transit or for other reasons shall be shown separately and the method of dealing with such losses in the calculation of costs indicated in the cost records by way of footnotes, explanatory notes or in some other suitable manner.

Records of quantities manufactured, accepted, and rejected shall be kept separately for each batch of components or sub-assemblies and the method of dealing with losses on account of rejection, in the calculation of costs shall be indicated in the cost records by way of footnotes, explanatory notes or in some other suitable manner.

II. Wages and Salaries

Proper and systematic records shall be maintained with respect to the attendance of workers and other operational staff, indicating the department or the work on which they were employed. Where payment to workers is made on piece rate basis, the records thereof shall be so maintained as to enable assessment of wages payable to such workers. Proper records shall also be maintained in respect of all payments made for overtime work. Where any payments for incentives based on output achieved by the workers individually or collectively, such payments shall be included as part of wages.

The records shall further show separately the cost of all wages and salaries relating to various manufacturing departments or units in the factory being the amounts payable and allocated to the different departments or units and jobs or operations therein. Any wages and salaries being expenditure on additions to plant, machinery or other assets shall be allocated to the relevant capital heads in the accounts. Any idle time arising and reasons for such idle time shall be recorded separately. The method of its treatment in calculating the cost of products shall also be indicated in the cost records, or in footnotes, explanatory notes or in other suitable manner.

If the wages are allocated to the departments or units, jobs or operations any basis other than actuals, the method adopted in such allocation as well as the method of reconciling such wages with actuals and the method of dealing with variations, if any, shall be disclosed in the cost records or indicated by way of footnotes, explanatory notes or in other suitable manner.

III. Stores and Spare Parts

Detailed and adequate records shall be maintained to show the receipts, issues and balances, both in quantities and value, or various items of stores required in the manufacturing process. The value shown shall include all direct charges up to works such as freight and insurance. The value of the issues and balances of stores and spare parts may if the company so desires be recorded monthly or at such shorter intervals as the company decides or kept in the form of control accounts for main groups of stores, provided, in the latter case, the value of the balances according to such control accounts are reconciled periodically at least once a year with the values of the quantities shown by the quantity accounts for each item of stores.

The value of stores consumed shall be charged to the relevant head of expenditure such as manufacture, repairs to plant and machinery, repairs to buildings, township and maintenance of vehicles. The value of stores charged to manufacturing shall further be allocated to the different departments or manufacturing units and to jobs or operations therein. Similarly stores issued for capital works, such as additions to plant, machinery or other assets shall also be separated and shown under relevant capital heads. Stores shall be valued on a reasonable basis consistently applied during the relevant period. The records shall also indicate the method of valuation adopted. Any wastage whether in storage, transit, or for other reasons shall be shown separately. The method of dealing with such losses in the calculation of costs shall also be indicated in the cost records, or in footnotes, explanatory notes or in other suitable manner.

IV. Services

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

Where power is purchased, the cost of power shall include the cost of units of power consumed and fixed charges and duties, if any, payable by the consumer. Where power, water or steam is produced by the company itself, separate records shall be maintained to show, in sufficient detail, the different items making up the cost of such power, water or steam produced and consumed.

The records shall be maintained as to enable the assessment of consumption of the services by the different departments or manufacturing units. In cases where the allocation to the various departments of manufacturing units is made otherwise than at actuals, the basis adopted for such allocation shall be indicated.

If the company so desires, the cost of power, fuel and other services allocated to the different departments or manufacturing units may, instead of being shown separately in the pro forma concerned, be included in the manufacturing overheads of the department or manufacturing unit concerned and allocated to operations or jobs within the department or manufacturing unit as part of manufacturing overheads.

V. Depreciation

Proper and adequate records shall be maintained for assets in respect of which depreciation has to be provided for. These records shall inter alia indicate the cost of each item of asset the date of its acquisition and rates of depreciation. The cost of any special repairs or renovations, if added to the value of the asset concerned, shall be separately recorded indicating the basis on which such additions are made.

Depreciation chargeable to the different departments or units shall relate to the plant and machinery and other assets utilised in such departments or units and shall not be less than the amount of depreciation which may be worked out in accordance with the provisions of sub-section (2) of Section 205 of the Companies Act, 1956. The rates adopted shall be consistently applied from year to year.

If the company so desires, depreciation allocated to the departments or manufacturing units may, instead of being shown separately in the relevant cost sheets, be included as part of manufacturing overheads of the department or manufacturing unit concerned and allocated to operations or job within the department or manufacturing unit as part of manufacturing overheads.

VI. Overheads

Proper records showing the details of allocation of overhead expenses to the various departments or manufacturing units shall be maintained after collecting the details of all such expenses from the financial accounts. Overhead relating to manufacturing, administration and selling and distribution activities shall be distinguished from each other. The method of allocating such overheads to the various departments or manufacturing units and further to operations or jobs therein shall be clearly indicated in the records and shall be on a reasonable basis consistently applied throughout the relevant period. Where the amount of overheads allocated to the various departments or manufacturing units is determined on an estimated basis, the method by which such estimated overheads are reconciled with the actuals for the relevant period and the variations, if any, as well as the method of dealing with such variations between estimates and actuals shall be disclosed in the records.

Selling overheads comprising of selling and distribution expenses pertaining to complete bicycles sold may be shown in one lump sum in the summary statement of cost including selling and distribution expenses of bicycles sold. The share of selling and distribution expenses relating to components or sub-assemblies sold as spares, otherwise than as complete bicycles (assembled or otherwise) shall be shown separately in the cost records.

VII. Cost Statements

The cost particulars shall be filled in pro formas in Schedule II or in proforma as near thereto as possible. Where the company decides to calculate the costs of each component manufactured by it, separately, the cost of the components shall be shown in proforma A and the cost of sub-assemblies like frame, fork, mudguard, pedals in proforma B. Where the costs of each component is not calculated but the cost of only the sub-assemblies are calculated, such costs shall be shown in proforma A and not in proforma B.

VIII. Work-in-Progress

The value of work-in-progress, if any, in relation to the various components as well as sub-assemblies or final assembly, in the process of manufacture at the end of the period for which the costs are made up, shall be calculated to represent the cost incurred up to the relevant state of manufacture and shall be shown in the relevant proforma in Schedule II.

IX. Production Records

Detailed and adequate records shall be maintained to indicate the quantities and value of all receipts, issues and balances of the different components and sub-assemblies produced by the company. The value of such items shall be based on the cost of production of the items concerned. The value of the issues or balances may, if the company so desires, be recorded monthly or at such shorter intervals as the company decides.

X. Reconciliation with Financial Books

The cost records shall be periodically reconciled with the financial books of account so as to ensure accuracy. All variations shall be clearly indicated and explained. The period for which such reconciliations are effected shall not exceed the period of the financial year of the company.

XI. Stock Verification Records

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

XII. Statistical Data

Adequate records containing information as to actual hours worked by each machine or group of machines in the different departments or manufacturing units shall be maintained to show the hours worked, stoppages, if any, and the reasons therefor.

Schedule II #
(See Rule 3)

Proforma 'A'

..... Co. Ltd.

*Statement showing the Cost of components/Sub-assembly
manufactured during the period*

Name of Component.....

Quantity Produced.....

Particulars	Quantity	Rate	Total Amount	Cost per Unit	
				Current Period	Previous Period
1. Raw Material (to be specified)					
2. Bought out Components*					
3. Wages and Salaries					
4. Stores					
5. Services					
Power, Fuel, Electricity, Water, Steam					
Etc.					
6. Depreciation					
7. Other Manufacturing Overheads					
8. Admn. Overheads					
9. Adjustment for the differences in opening and closing balances of work- in-progress, If any					
Total					

* Applicable when this proforma is used for sub-assemblies.

Applicable upto 31st March, 1999.

Proforma 'B'

..... Co. Ltd.

*Statement showing the Cost of Sub-assemblies
during the period*

Name of Sub-assembly.....

Quantity Produced.....

Particulars	Quantity	Rate	Total Amount	Cost per Unit	
				Current Period	Previous Period
1. Components (to be specified)					
2. Wages and Salaries					
3. Stores					
4. Services (to be specified)					
5. Depreciation					
6. Other Manufacturing Overheads					
7. Admn. Overheads					
8. Adjustment for the differences in opening and closing balances of work- in-progress, If any					
Total					

..... Co. Ltd.

*Statement showing the Cost of Final Assembly of Cycles
during the period.....*

Make.....
Quantity Produced

Particulars	Total Amount	Cost per Unit	
		Current Period	Previous Period
1. Sub assemblies (to be detailed)			
2. Wages and Salaries			
3. Stores			
4. Services			
5. Depreciation			
6. Packing			
7. Other Manufacturing Overheads			
8. Admn. Overheads			
9. Adjustment for the differences in opening and closing balances of work-in-progress, If any			
Total			

..... Co. Ltd.

*Statement showing the Cost including selling and distribution expenses
in respect of Cycles manufactured during the period.....*

Description.....
Quantity Sold.....

Particulars	Total Amount	Cost per Unit	
		Current Period	Previous Period
1. Final assembly or Sub-assemblies to make a complete Cycle			
2. Packing			
3. Other Selling and distribution Overheads			
Total Cost including selling expenses			

SCHEDULE III ⁴
(See rule 3 (3))

1. Material

1. (1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of raw material (including bought out components) required for the production of each type of cycle and components thereof. These records shall contain such details so as to enable the company to determine the quantity, cost of receipt (including all direct charges upto the works in respect of major raw material), issues and balances of each item of all such raw material. The basis on which the said quantities and costs of issue and consumption have been calculated shall be indicated in the cost records and followed consistently.
1. (2) Proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost of each item of any process material or chemicals, consumable stores, tools and machinery spares. The cost shall include all direct charges upto works.
1. (3) In the case of consumable stores and small tools the cost of which are insignificant, the company may, if it so desires, maintain such records for such consumable stores and tools as a group together.
1. (4) The cost of consumption of consumable stores, small tools and machinery spares shall be charged to the relevant cost centres on the basis of actual issues.
1. (5) Proper records shall be maintained showing the quantity and value of wastages, spoilages, rejections and losses of raw materials, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, manufacture or at any other stage. The method followed for adjusting the above losses as well as the income derived from the disposal of rejected and waste materials including spoilages, if any, in determining the cost of product shall be indicated in the cost records. Any abnormal wastages or spoilages or rejection shall be indicated distinctly and separately along with reasons thereof.
1. (6) Where any credit under Modified Value Added Tax (MODVAT) or any other benefit under the Central Excise and Salt Act, 1944 (1 of 1944) are available on any item of material, the cost of such material should be shown after adjusting such credit or benefits.

2. Salaries and Wages

2. (1) Proper records shall be maintained to show the attendance and earnings of all employees of the cost centres or departments and the work on which they are employed. The records shall also indicate the following separately for each cost centre or department :
 - (a) piece rate wages (whenever applicable);
 - (b) incentive wages, either individually or collectively as production bonus or under any other scheme based on output;
 - (c) overtime wages;
 - (d) earnings of casual labour;
 - (e) bonus or gratuity;
 - (f) any other earning.

⁴ (Effective from 1st April, 1999) Inserted by G.S.R.326 (E) dated 3rd June, 1998.

2. (2) The records shall be maintained in such a manner as to enable the company to furnish necessary particulars under this head in Proforma of Schedule III annexed to these rules. Where the employees work in such a manner that it is not possible to identify them with any cost centre or department, the labour charges shall be apportioned to the cost centres or departments on equitable basis and applied consistently.
2. (3) Idle time shall be separately recorded under classified headings indicating the reasons therefor. The method followed for accounting of idle time payments in determining the cost of the product shall be disclosed in the cost records.
2. (4) Any wages and salaries allocable, to capital works such as additions to plant and machinery, buildings or other fixed assets shall be accounted for under the relevant capital heads.

3. Service Department Expenses

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

4. Utilities

4. (1) Power - Proper records shall be maintained for the quantity and cost of power purchased. Where power is generated by the company itself, adequate records, showing all elements of cost shall be maintained to show the cost of power generated and consumed for the production of the cycles and components thereof in different cost centres and departments etc. Records shall also indicate installed capacity, number of units generated, losses and consumption in each cost centres separately. Where power is generated and supplied by any other unit of the company to the cycles plant adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power allocated to the production or manufacture of cycles and components thereof shall be on a reasonable basis and applied consistently.
4. (2) Other Utilities - Proper records showing quantity and cost shall be maintained in respect of any other utilities other than power produced or purchased by the company for the production or manufacture of cycles and components thereof.

5. Workshop/Repairs and Maintenance/Tool Rooms

5. (1) Proper records showing the expenditure incurred by the workshop under different heads on repairs and maintenance by the various cost centres or departments shall be maintained. The records shall also indicate the basis of charging the workshop/tool room expenses to different cost centres/departments and units. Where maintenance work is done by direct workers of any production cost centre/department, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centre/department. If the services are utilised for other product also, the manner of charging a share to such products shall be equitable and clearly indicated in records and applied consistently.
5. (2) Expenditure on major repair works from which benefit is likely to accrue for more than one financial year shall be shown separately in the cost records indicating the method of accounting in determining the cost with reference to the period for which the benefit of such expenditure is likely to last.

6. Depreciation

The basis on which depreciation is calculated and allocated/apportioned to the various cost centres/departments and absorbed on all products shall be clearly indicated in the cost records. If depreciation chargeable to the cost centres and departments is in excess or lower than the rate of depreciation prescribed under the provisions of sub-section (2) of section 205 of the Companies Act, 1956 (1 of 1956), such amount of excess or lower depreciation shall be indicated clearly in the cost

records. The cost records shall also show the effect of such excess or lower depreciation as the case may be, on the per unit cost of cycles and components thereof. The cumulative depreciation charged in the cost records, against any individual item of asset shall not, however, exceed the original cost of the respective asset.

7. Other Overheads

- 7 (1) Proper records shall be maintained showing the various items of expenses comprising the other overheads. These expenses shall be analysed classified and grouped according to functions, namely, works, administration, selling and distribution.
- 7 (2) Where the company is manufacturing any product other than cycles and components thereof, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to such product and cycles and components thereof, including capital works. Where certain expenses forming part of overheads can be identified with a product, such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the residue expenses under the above categories of overheads shall be apportioned on a reasonable and equitable basis and applied consistently. Overheads chargeable to capital works shall be indicated separately in the cost records. Basis of apportionment or absorption of overheads to the cost centres and products shall be indicated in the cost records.
- 7 (3) The records shall be maintained in such a manner so as to indicate the details of works, administration, selling and distribution overheads.

8. Research and Development Expenses

- 8 (1) Proper records showing the details of expenses, if any, incurred by the company for the research and development work on the product covered under these rules according to the nature of development of products, existing and new product, development of process of manufacture, existing and new, design and development of new plant facilities and market research for the existing and new products etc., shall be maintained separately.
- 8 (2) The method of charging these expenses to the cycles and components thereof and all other products shall be indicated in the cost records. Where the utility of such research and development work extends over more than one financial year, such expenses shall be treated as deferred expenses and charged to the cost of production of cycles and components thereof and all other products if any, on a reasonable basis and applied consistently.
- 8 (3) Expenses incurred by the Research and Development Department for providing technical know-how to outsiders shall be recorded separately and excluded from the cost of cycles and components thereof. The amount recovered for providing technical know-how to outsiders shall be indicated separately.

9. Interest

The amount of interest shall be allocated or apportioned to the product covered by these rules and other activities on a reasonable and equitable basis which shall be followed consistently. Basis of further charging of the share of the interest to the various types of such products shall also be reasonable and equitable and the same shall be followed consistently. The basis of such allocation or apportionment shall be spelt out clearly in the cost records/statements.

10. Expenses/Incentives on Exports

Proper records showing the expenses incurred on the export sales, if any, of the cycles and components thereof shall be separately maintained so that the cost of export sales can be determined correctly. Separate cost statement shall be prepared for cycles and components thereof exported giving details of export expenses incurred/incentive earned. In case, duty free imports are made, the cost statements

should reflect this fact. If the duty free imports have been made after actual production, the statement should reflect this fact also.

11. Packing Expenses

- 11 (1) Proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred for packing and marketing of the cycles and components thereof. Where such expenses are incurred in common for other products also, the basis of apportioning the expenses between the relevant products shall be clearly indicated in the cost records and applied consistently.
- 11 (2) Detailed records of the expenses incurred on export packing, if any, shall also be kept separately and exhibited in the relevant cost statements for exports.

12. Work in Progress and Finished Stock

The method followed for determining the cost of work in progress and finished stock of the cycles and components thereof shall be indicated in the cost records so as to reveal the cost element that have been taken into account in such computation. The appropriate share of conversion cost upto the stage of completion shall be taken into account while computing the cost of work in progress. The method adopted for determining the cost of work in progress and finished goods shall be followed consistently.

13. Cost Statements

- 13 (1) Cost statement showing details of installed capacity, production, wastages, issues and sales and all elements of cost of the current financial year and previous year shall be prepared for each process adopted in manufacture or production of cycles and components thereof.
- 13 (2) The product emerging from a process which forms raw material for a subsequent process shall be valued at the cost of production up to the previous stage.
- 13 (3) If the company is operating more than one plant/factory, separate cost statements as specified above shall be maintained in respect of each plant/factory.

14. Production Records

Quantitative records of all finished and packed production, issues for sales and balances of different types of the products produced by the company shall be maintained.

15. Reconciliation of Cost and Financial Accounts

- 15 (1) Cost statements shall be reconciled with the financial statements for the financial year so as to ensure accuracy. Variations, if any, shall be clearly indicated and explained.
- 15 (2) A statement showing the total expenses incurred and income received by the company under different heads of accounts and the share applicable to the products shall be prepared and reconciled with the financial statement.

16. Adjustment of Cost Variances

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

17. Statistical Records

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

18. Pollution Control

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

[19. Inter-Company Transfer:

- (1) In respect of related party transactions or supplies made or services rendered by a company to its holding company or subsidiary or a company termed "related party relationship" as defined below and vice-a-versa, records shall be maintained showing contracts entered into, agreements or understanding reached in respect of:
- (a) Purchase and sale of raw materials, finished products, process materials, chemicals and rejected goods including scraps, etc;
 - (b) Utilization of plant facilities and technical know-how;
 - (c) Supply of utilities and any other services;
 - (d) Administrative, technical, managerial or any other consultancy services;
 - (e) purchase and sale of capital goods including plant and machinery;
 - (f) Any other payment related to production, processing or manufacturing of product under reference. These records shall also indicate the basis followed for arriving at the rates charged or paid for such products or services so as to enable determination of the reasonableness of such rates in so far as they are in any way related to product under reference.
- (2) The transactions by the following "related party relationships" shall be covered under sub-rule (1):
- (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, of are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
 - (b) Associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
 - (c) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
 - (d) Key management personnel and relatives of such personnel; and
 - (e) Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.
- However, the following shall not be deemed as "related party relationships":
- (a) Two companies simply because they have a Director in common, notwithstanding paragraph (d) or (e) above (Unless the Director is able to affect the policies of both companies in their mutual dealings);
 - (b) A single customer, supplier, franchiser, distributor, or general agent with whom an enterprise

transacts a significant volume of business merely by virtue of the resulting economic dependence; and

(c) The parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision Making process);

(i) Providers of finance;

(ii) Trade unions;

(iii) Public utilities;

(iv) Government departments and government agencies including government sponsored

bodies.

Explanation: -For the purpose of these Rules,

(a) **"Related party relationship"** mean parties who are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions;

(b) **"Related party transaction"** means a transfer of resources or obligations between related parties, whether or not a price is charged;

(c) **"Control" means**

(i) Ownership, directly or indirectly, of more than one-half of the voting power of an enterprise; or

(ii) Control of the composition of the Board of Directors in the case of a company or of the Composition of the corresponding governing body in case of any other enterprise; or

(iii) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

(d) **"Significant influence"** means participation in the financial or operating policy decisions of an enterprise, But not control of those policies;

(e) **"Associate,"** means an enterprise in which an investing reporting party has significant influence and which is Neither a subsidiary nor a joint venture of that party;

(f) **"Joint venture"** means a contractual arrangement whereby two or more parties undertake an economic Activity, which is subject to joint control;

(g) **"Joint Control"** means the contractually agreed sharing of power to govern the financial and operating Policies of an econottlic activity So as to obtain benefits from it;

(h) **"Key management personnel"** mean those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise;

(i) **"Relative"**-in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may connected by blood relationship;

(j) **"Holding company"** means a holding company within the meaning of Section 4 of the Companies Act, 1956 (1 Of 1956);

(k) **"Subsidiary"** means a subsidiary company within the meaning of Section 4 of the Companies Act, 1956 (1 of 1956);

(l) **"Fellow subsidiary"** means a company is said to be a fellow subsidiary of another company if both are Subsidiaries of the same holding company;

(m) **"State-controlled enterprise"** means an enterprise which is under the control of the central Government or a State Government."]⁶

⁶ Inserted by G.S.R.709 (E) dated 28th September, 2001.

Proforma

Name of the company

Name and address of the factory

Statement showing the cost of Cycles/ Components of Cycle* produced or manufactured during the year/period

A. Quantitative Information:

Sl.No	Particulars	In Numbers
1	2	3
1.	Installed Capacity	
2.	Quantity Produced	
3.	Quantity sold	
4.	Closing stock	
5.	Opening stock	

B. Financial Information:

Sl.No	Particulars	Amount (Rs)	Cost Per unit (in Rupees)	
			Current Year	Previous Year
1.	Material cost			
	(a) Steel Strips			
	(b) Rods (Black as well as bright)			
	(c) Wires			
	(d) Broght Steel tubes			
	(e) Bought out finishes components			
	(f) Bought out semi-finished components			
	(g) Others (Specify major items)			
	(h) Total (a to g)			
2.	Wages and Salaries			
	(a) Direct Wages			

- I. Machine Shop
- II. Welding shop
- III. Brazing Shop
- IV. Annealing shop
- V. Electro Plating shop
- VI. Enamelling shop
- VII. Pre treatment of surfaces (known as grinding/ barrelling and granodising)
- VIII. Sub assembly shop
- IX. Others to be specified
- X. Sub total (I to IX)

- (b) Indirect Wages
- (c) Bonus and gratuity
- (d) Other benefits (Please specify)
- (e) Total (a to d)

- 3. Utilities
 - (a) Power
 - (b) Others (specify major items)
 - (c) Total (a + b)
- 4. Depreciation
- 5. Repairs and Maintenance
- 6. Royalty
- 7. Research and Development
- 8. Quality control
- 9. Factory overhead
- 10. Administrative Overhead
 - (a) Salaries and wages
 - (b) Others (Please specify)
 - (c) Total (a+b)
- 11. Total (1 to 10)

- | | |
|-----|--|
| 12. | Stock Adjustment
(Work in progress) |
| 13. | Less: Credits from scrap & by-product |
| 14. | Cost of Production |
| 15. | Stock Adjustment
(finished products) |
| 16. | Net cost of Production |
| 17. | Selling and Distribution Expenses
(a)Salaries and Wages
(b)Others (Please specify)
(c)Total(a +b) |
| 18. | Cost of Sales |
| 19. | Interest |
| 20. | Total sales |
| 21. | Margin (20-(18+19)) |
| 22. | Expenses not considered elsewhere |
| 23. | Incomes not considered elsewhere |
| 24. | Profit as per financial records
(21-22+23) |

* Delete whichever is not applicable.

[F No 52/01/CAB-2001]
A Ramaswamy, Jt. Secy.

Note - The principal notification was published vide G.S.R.311 dated 02/03/1967 and the same was subsequently amended vide G.S.R. no and dates, namely:-

- | | |
|----|--|
| 1 | GSR 1244 dated 7 th August 1967 |
| 2 | GSR 84 dated 4 th January 1968 |
| 3 | GSR 774 dated 3 rd June 1977 |
| 4 | GSR 1270 dated 10 th October 1979 |
| 5 | GSR 15 dated 5 th January 1983 |
| 6 | GSR 538 dated 22 nd July 1989 |
| 7 | GSR 298(E) dated 24 th March 1993 |
| 8 | GSR 326(E) dated 3 rd June 1998 |
| 9 | GSR 425(E) dated 3 rd August 1998 |
| 10 | GSR 709(E) dated 28 th September 2001 |

