

Government Notifications
MINISTRY OF INDUSTRY
(Department of Company Affairs)
New Delhi, the 22nd April, 1988
Cost Accounting Records (Formulations) Rules, 1988

G.S.R 452. - 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 (Formulations) Rules, 1988.
- (2) They shall come into force on the date of their publication in the Official Gazette.

2. [Application - These rules shall apply to every company engaged in the production, processing or manufacture of formulations under any system of medicine including Ayurvedic, Homeopathic, Siddha and Unani formulations excepting those companies falling under the category of "Small Scale Industrial Units"]¹.

Provided that companies which are subject to price control under the Drugs (Price Control) Order [as notified from time to time under the Industries (Development and Regulation) Act, 1955]² will not be exempt from the operation of these rules.

For the purpose of this rule, the expression Small Scale Industrial Undertaking means a company

[(a) The aggregate value of the machinery and plant installed wherein does not exceed the limit as specified for a small scale industrial undertaking under the Industries (Development and Regulation) Act, 1951 (65 of 1951), as on the last date of the preceding financial year.]³

[(b) The aggregate value of the turnover made by the company from the sale or supply of all its products during the preceding financial year does not exceed Rupees ten crores.]⁴

2.3 Definitions - In these rules unless context otherwise requires-

- (a) "Act" means the Companies Act, 1956;
- (b) [The expression "formulation" means a medicine processed out of or containing one or more bulk drugs with or without the use of any pharmaceutical aids for internal or external use for or in the diagnosis, treatment, mitigation or prevention of disease in human beings or animals and shall include
 - (i) Any medicine included in any bona fide Ayurvedic (including Sidha) or Unani (Tibb) systems of medicines;
 - (ii) Any medicine included in the Homeopathic system of medicine.
- (c) Bulk drug" means any pharmaceutical, chemical, biological or plant product including its salts, esters, stereo-isomers and derivatives, which are used as such or as an ingredient in any formulation]⁵

3. Maintenance of Records

- (1) Every company to which these rules apply shall, in respect of each of its financial year commencing on or after the commencement of these rules [till the 31st day of March, 2002 or the close of the relevant financial year in 2002]⁶, keep proper books of account containing, inter-alia, the particulars specified in I Schedules annexed to these rules or in a form as near thereto as practicable, relating to utilisation of materials, labour and other items of cost in so far as these are applicable to formulations referred to in rule 2.

Provided that if the said company is manufacturing any other product(s) or is engaged in other activities in addition to items referred to in rule 2, the particulars relating to utilisation of materials, labour and 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 the items referred to in rule 2.

^{1, 5, 6} Substituted by G.S.R. 706(E) dated 28th September 2001

² Inserted by G.S.R. 571 dated 22nd July 1989

³ Substituted by G.S.R. 455(E) dated 3rd August 1998

⁴ Substituted by G.S.R. 331(E) dated 24th March 1993

(2) The books of account referred to in sub rule (1) shall be kept on a regular basis in such a way as to make it possible to calculate the cost or production and cost of sale of formulations produced and packed referred to in rule 2 at regular intervals, at least quarterly, during the financial year (hereinafter referred to as the relevant period) as well as for the financial year as a whole, from the particulars entered therein and every such book of account and the proforma specified in Schedules shall be completed not later than ninety days from the end of the financial year of the company to which they relate.

[(2A) 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, 2002 keep proper books of account relating to the utilization of materials, labour and other items of cost in so far as they are related to the production or manufacture or processing of Formulations. The books of account, so maintained shall contain, inter-alia, the particulars specified in Schedule III annexed to these rules and Proformae. A, B, C, D and E mentioned in the said Schedule:

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

(2B) The books of account referred to in sub-rule (2A) 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 each type of Formulations produced, processed or manufactured for every financial year from the particulars entered therein. Every such books of account and the Proforma specified in the said Schedule III shall be completed not later than ninety days from the close of the financial year of the company to which it relate.

(2C) The statistical and other records shall be maintained in accordance with the provisions of the Schedule III which shall be such as to enable the company to exercise, as far as possible, control over the various operations and costs with a view to achieve optimum economies in cost. These records shall also provide the necessary data required by the Cost Auditor to suitably report on all the points referred to in the Cost Audit (Report) Rules, 1996 as amended from time to time.]⁷

(3) It shall be the duty of every person referred to in sub - section (6) and subsection (7) of section 209 of the Act, to take all reasonable steps to secure compliance by the company with the [provisions of sub-rules (1), (2), (2A), (2B) and (2C)]⁸ in the same manner as he is liable to maintain accounts under sub-section (1) of section 209 of the Act.

(4) Statistical and other records shall also be maintained in compliance with the provisions of the Schedules annexed to these rules which shall be such as to enable the company to exercise as far as possible, control over the various operations and costs with a view to achieve optimum economies in costs and provide the necessary data required by the cost auditor to suitably report on all the points referred to in Cost Audit (Report) rules 1968, as amended from time to time. Such records shall be reconciled with the returns submitted to the Excise Department, Director General of Technical Development and other authorities from time to time.

4. Penalty –

If any company contravenes the provisions of Rule 3, the said company and every officer thereof who is in default including the persons referred to in sub- rule (3) of the said rule shall subject to the provisions of section 209 of the Act, 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.

^{7, 8} Inserted by G.S.R. 706(E) dated 28th September 2001

SCHEDULE 1
(See Rule 3)

1. Material

1(1) Direct Materials

Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of direct materials such as bulk drugs, pharmaceutical aids, excipients etc. required and actually used in the manufacture of different types of formulations, batch wise. These records for direct materials shall contain such details like excise duty, freight and other charges as to enable the company to determine the quantity, cost of receipt (including all direct charges up to the works) issue, balance of each item of direct material separately for imported and indigenous supplies, for a batch of each formulation produced. In case of imported material including those canalized through Govt. agencies details of Fee On Board price, freight and insurance charges custom duty, port charges, inland freight charges paid shall be recorded separately. The basis on which the said quantities, issues, consumption of materials and cost thereof have been calculated shall be indicated in the cost records and followed consistently.

1(1)(2) In case, any bulk drug intermediate/ process chemical already covered under the Cost Accounting (Records), Rules prescribed, is manufactured by the company, proper cost records shall be maintained as per those rules so as to arrive at the cost of such items.

1(1)(3) Adequate quantitative records for determining the net consumption of pharmaceutical aids, excipients etc. which are used for manufacturing shall be maintained. The cost records shall clearly indicate absorption or loss in the process of these items used for the production of each formulation in a scientific manner.

1(1)(4) The records relating to consumption of production materials shall be identified with the batch of production or the cost centres to which the materials are issued. Consumption reflected in cost records should correspond to the data recorded in manufacturing register under the Drug Rules.

If the quantity and value of materials consumed are determined on any basis other than actuals for example at standards the method adopted shall be mentioned in the cost records and followed consistently. The overall reconciliation of such quantities and values of materials with the actuals shall be made at least quarterly during the financial year explaining the reasons for variations. The treatment of such variations in determining the cost of the items referred to in rule 2 shall be indicated in the cost records.

1(2) Consumable stores, small tools, machinery spares etc.

1(2)(1) Proper records shall be maintained to show the receipts, issues and the balances, both in quantities and cost of such items of consumable stores, small tools and machinery spares etc. The cost shall include all direct charges up to works.

1(2)(2) In the case of consumable stores and small tools, the cost of which is insignificant, the company may, if it so desires, maintain such records for the main group of such items.

1(2)(3) The cost of consumption of consumable stores, small tools and machinery spares shall be charged to the relevant cost centres on the basis of actual issues.

1(3) Wastage, spoilages, rejections, losses etc. of materials

1(3)(1) 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 disposal or rejected and waste materials including spoilage, if any, in determining the cost of the product shall be indicated in the cost records. Any abnormal wastages, spoilages etc. shall be indicated distinctly and separately batch wise, along with reason therefor.

2. Salaries and Wages

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

separately for each cost centre/batch.

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

2.(2) Records shall be so maintained that it will be possible for the company to fill up cost details under this head in the various annexures and proforma as shown in the Schedules. Where the employees work in such a manner that it will not be possible to identify them with anyone cost centre alone, the appointment of labour charges to the cost centres where they are employed shall be reasonable assessed and, the method of such assessment shall be consistently followed. 1

2.(3) Idle time shall be separately recorded under classified headings indicating the reasons therefor. This data shall be maintained as far as possible for each cost centre. The method adopted for accounting of idle time payments in determining the cost of the product shall be disclosed in the cost records.

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

3. Service Department Expenses.

3(I) Detailed records shall be maintained to indicate expenses incurred in respect of each service department or cost centre like laboratory, welfare animal house, transport, quality control, testing etc. These expenses shall be apportioned to other service and production departments on an equitable basis and applied consistently. Where these services are utilised for other products in the company the manner of allocation of due share to formulations, shall be clearly shown in records and applied consistently.

4. Utilities.

4(1) Proper records shall be maintained showing the quantity and cost of various utilities and services (both purchased and produced) as detailed below and consumed utilised by different cost centres in such detail as may enable the company to furnish the particulars in Annexure I, II and III of this Schedule:

- (i) Power;
- (ii) Raw Water, Soft Water, Demineralised water;
- (iii) Brine and chilled water;
- (iv) Refrigeration;
- (v) Compressed Air;
- (vi) Effluent Treatment;
- (vii) Oxygen/Nitrogen;
- (viii) Air Conditioning;
- (ix) LPG.

4(2) Proper records shall also be maintained in respect of any other utility produced/ purchased by the company in addition to the above, to enable the company to furnish the particulars in Annexure I, II and III whichever is suitable and appropriate.

4(3) If a utility is purchased, proper records showing the delivered cost thereof including all direct charges up to the works shall be maintained for the quantity and value of each such utility purchased.

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

4(5) The cost of utility, if any, supplied to any other unit(s) of the company shall be calculated on a reasonable

basis and applied consistently.

4(6) The cost of utility apportioned to the cost centres and further to the individual products shall be on a reasonable basis and applied consistently.

5. Workshop/repair and Maintenance/ Tool rooms

5(1) Proper records showing the expenditure incurred by the workshop under different heads and on repairs and maintenance by the various cost centres and departments shall be maintained. The records shall also indicate the basis of charging the workshop/tool room expenses different cost centres and departments. Where maintenance work is done by workers of any production cost centres, wages and salaries of such men shall be treated as direct expenses of the respective cost centres. If the services are utilised for other products also, the manner of charging the share to formulations shall be 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 adopted for determining the appropriate portion of expenditure to be charged each year with reference to the period for which the benefits of such expenditure is likely to last.

6. Multipurpose vessels/Machines.

When more than one manufacturing process is carried out in a particular or series of vessels machines, adequate records about the usage of such vessels machines for different products shall be kept. The cost using such vessels/ machines shall be charged to the different products on an equitable basis such as, equipment occupancy, usage, hours etc. Where composite machines hour rates are applied for absorption of wages overheads and equipment usage, proper records relating to the utilisation of labour and multipurpose vessels for different processes connected with the manufacture of different products shall be kept to enable determination of total machine hours and the amounts chargeable to the respective formulation. The variances between the actuals and the amounts charge at pre-determined rates shall be adjusted for arriving at the actual cost of production periodically and at the end of the year.

7. Depreciation

7(1). Proper records shall be maintained showing the/cost and other particulars of fixed assets in respect of which depreciation is to be provided for. These record shall inter-alia, indicate the cost of each items of asset including installation charges, if any, the date of its acquisition the date of installation, rate of depreciation and location of each asset. In respect of those assets, the original cost of which cannot be ascertained without any unreasonable expenditure or delay, the valuation shown in the books on the first day of the financial year beginning on or after the commencement of these rules shall be taken as cost. Such a valuation shall exclude revaluation of any assets that had been done prior to the aforesaid date.

7(2) The basis on which depreciation is calculated and allocated apportioned to the various cost centres and departments and absorbed on the products shall be clearly indicated in the records. Depreciation chargeable to the different cost centres and departments shall not be less than the amount of depreciation chargeable in accordance with the provisions of sub-section (2) of section 205 of the Act and shall relate to plant, machinery and other fixed assets utilised in such cost centres and departments. In the case of assets or groups of assets on which depreciation is written off at the rate of 100 per cent in the relevant year otherwise than as provided for in the Income Tax Act 1961 (43 of 1961) and rules made thereunder, such depreciation shall be spread over the number of years and during which the benefit is derived from such assets or groups of such assets. In case the amount of depreciation charged in the cost accounts records in any financial year is higher than the amount of depreciation chargeable under the aforesaid provisions of the Act. the amount so charged in excess shall be indicated clearly in the cost records. The cumulative depreciation charged in the cost records against any individual item of assets shall not however, exceed the original cost of the respective assets.

8. Royalty/Technical know-how fee

Adequate records shall be maintained showing the royalty or other recurring or non- recurring payments made to collaborators -or technology suppliers in terms of agreements entered into with them. Such records shall be kept separately in respect of each party. The basis of charging such amounts including one time payments, to the products shall be indicated in the cost records.

9. Other Overheads.

9(1) Proper record shall be maintained showing the various items of expenses comprising overheads. These

expenses shall be analysed, classified and grouped according to function viz. works, administration and selling and distribution.

9(2) Where the company is engaged in the manufacture of any product other than those referred to in rule 2, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses if the company to formulation activity and other activities. In case any expense included in the above categories of overheads can be identified with a particular activity product such expenses shall be segregated and charged to the relevant activity product at the first instance and the common expenses under the above categories of overheads shall be apportioned on a reasonable and equitable basis and applied consistently. Basis of apportionment or absorption of overheads to the cost centres and products shall be indicated in the cost records.

9(3) Proper records shall be maintained showing quantity and cost of each formulation issued as physician samples and also for sale promotion.

9(4) The details of works, administration and selling and distribution overheads shall be maintained in such a manner as to enable the company to fill up the necessary particulars in Annexures and proforma if the Schedules to these rules.

10. Conversion Cost.

Proper records shall be maintained for splitting up of conversion cost (the cost of manufacture less direct material cost) into fixed and variable costs of filling the relevant annexures and proforma of Schedules.

11. Research and Development Expenses.

11(1) Proper records showing the details of expenses, if any, incurred by the company for research and development work on the products covered under these rules according to the nature, viz. development of products, existing and new; improvement of process of manufacture-existing and new; design and development of new plant facilities; market research for the existing and new products etc. shall be maintained separately and new products etc. shall be maintained separately.

11(2) The method of charging these expenses to the cost of the products shall be indicated in the cost records. Where the utility of such work extends over more than one financial year, such expenses shall be treated as deferred expenses and charged to cost of production of products referred to in rule 2 and other products on a reasonable basis and applied consistently.

11(3) Where formulations and other products are subject to periodic quality check in quality control or allied departments, necessary records shall be maintained to enable the company to determine the share to expenses chargeable to each formulation and other products. The details of formulations rejected shall also be maintained indicating the batch, cost of raw material and other conversion charges for the company to fill up the relevant cost data as per proforma of Schedule II.

12. Captive consumption.

Proper records shall be maintained showing the quantity and cost of formulations transferred to other departments/units of the company for self-consumption. Such transfer shall ordinarily be effected at cost and shall be disclosed in the cost records. If, however, the transfer of formulation is made for captive consumption at a valuation other than cost, the notional profit or loss arising out of such transfer shall also be disclosed in the cost records.

13. Packing.

13(1). - Proper records shall be maintained showing separately all the receipts, issues and balances both in the quantities and cost of various packing materials such as strips, ampoules, vials, bottles, cartons, boxes, labels literature etc. and for wages and other expenses incurred in respect of different sizes of packs adopted for marketing of formulations separately. The details of various packing materials actually used and spoiled shall be maintained in respect of each formulation. Where any formulation is repacked due to defective packing details of such repacking for each formulation size-packwise shall be maintained if repacking cost is significant. If such packing materials are manufactured by the company, proper records showing the cost of production of

such items shall be maintained.

13(2) Where packing expenses are incurred in common the basis *of* apportionment *of* such expenses amongst different types and sizes of formulations and other products shall be equitable and clearly indicated in the cost record and applied consistently.

13(3) Separate records of special expenses incurred on export packing in respect *of* formulations shall be maintained and exhibited in the relevant cost sales statement for exports, as shown in Schedule n of the rules.

14. Expenses on interest charges.

Proper records shall be maintained showing interest charges. The amount of interest shall be allocated/apportioned to formulation and other activities on a reasonable and equitable basis which shall be followed consistently. The basis of such allocation/apportionment shall be spelt out clearly in the *cost* statements. Basis of further charging of the share of interest to the various formulations shall also be reasonable and equitable and the same shall be followed consistently.

15. Expenses/Incentive on Export.

Proper records showing the expenses incurred on the export of formulations, if any, shall be separately maintained so that the cost of export sales can be determined correctly. The expenses incurred on exports as well as any export incentive earned shall be reflected in the cost statement relating to export sales. Export incentive shall be treated as other income and reflected in the cost records.

16. Capital works carried out departmentally.

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

17. Work in progress and finished goods stock.

The method followed for determining the cost of work in progress and finished goods stock of products referred to in rule 2, shall be indicated in the cost records so as to reveal the cost elements that have been taken into account in such computation. The appropriate share of conversion cost upto the stage of completion for equivalent production for various elements of cost shall be taken in account while computing the cost of work in progress. The method adopted for determining the cost of work in progress and finished goods shall be followed consistently. Records showing the cost of work in progress and the quantities and the cost of finished goods shall be maintained in relevant proforma of Schedule II.

18. Cost Statements.

18(1) Separate cost statement shall be maintained in respect of each type of formulation produced and for each type and size of pack as strip, bottles, tin, vials, ampouls, carton, etc. showing the actual cost of production and cost of sales in proforma of schedule II respectively.

Export of formulations shall be exhibited separately in cost statements and the same be excluded from the cost statements meant for sale in the internal market and shall be shown in proforma I, of Schedule II.

18(2) If the company is more than one plant/ factory, separate cost statements as specified above shall be maintained in respect of each plant/ factory.

19. Reconciliation of cost and financial accounts.

The cost records Shall be reconciled periodically with the financial books of accounts so as to ensure accuracy say, quarterly as well as for the financial year as a whole. The reconciliation shall be done in such a manner that the profitability of the product under reference can be correctly ad judged and profit/loss of the product reconciled with the overall profits/losses of the company.

A statement showing the total expenses incurred and the income received by the company and the share applicable to formulations activity shall be maintained in proforma N and O of Schedule II.

20. Adjustment of Cost Variances.

Where the company maintains costs records on any basis other than actuals, such as standard costing the record shall indicate the procedure followed by the company in working out the cost of the product under such systems. The method followed for adjusting the cost variances in determining the actual cost of the product shall be indicated clearly in the cost records. The cost variances shall be shown against the relevant heads in the respective proforma of Schedule II. The reason for Variances in respect of materials shall inter-alia be furnished separately for major materials. Variances analysis shall be made at least quarterly during the financial year. The reason for the Variances shall given in the cost records.

21. Records of physically verification

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

22. Inter-company transaction.

In respect of supplies made for services rendered by the company in its holding company or a subsidiary or a company in the same management as defined in Section 370(1B) of the Act, or a company in , which a Director of the company is also a Director I in such companies and Vice-Versa, records shall be maintained showing contracts entered into, agreements or understanding reached, in respect of:-

- (a) purchase and sale of raw materials and process materials and fixed assets;
- (b) utilization of plant facilities;
- (c) supply of utilities; and administrative, technical, managerial and any other consultancy services. These records shall indicate the basis followed for arriving at the rates charged between them so as to enable determination of the reasonableness of the rates charged / paid for such services.

23. Statistical records

23(1). - Statistical data such as available plan hours, actual plant hours with reasons for stoppages, under classified headings, yield percentage of formulations shall be kept.

23(2) Adequate records shall be maintained to enable the company to identify the capital employed (net fixed assets working capital) separately for formations and other activities. Fresh investment of fixed assets that have not contributed to production during the relevant period shall be indicated in the records. The records shall in addition show assets added as replacement and that added for increasing the existing capacity.

SCHEDULE I
(See Rule)

ANNEXURE I

Name of the Company

Name and address of the factory

Statement showing the cost of Treated/Cooling Water/Refrigeration/Instrument Air/Compressed Air/Effluent Treatment/Oxygen for the year ended

	Unit	Current Year	Previous Year
1. Installed capacity			
2. Production			
3. Purchases			
4. Total			
5. 2 as a percentage of 1			

S.No.	Particulars	Quantity Rate/Unit	Amount	Cost Unit	Previous year
				Current year	
A.1	Material/Chemicals				
	a }				
	b } (to be specified)				
	c }				
2.	Utilities				
	a. Power				
	b. Water				
	c. Steam				
	d. Compressed Air				
	e. Others specify				
3.	Stores and Spares				
4.	Salaries & Wages				
5.	Repairs & Wages				
6.	Other Overheads				
7.	Depreciation				
8.	Total				
9.	Less Credit, if any,				
10.	Net Total (a) Fixed				
	(b) Variable				
B.	Apportioned to				
1.					
2.					
3.					
4.	etc				
	Total (As per item A 10 above).				

Notes: 1. Separate Cost sheet is to be prepared for each utility.
2. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual amount paid on this account during the period and interest charges on borrowings including debentures shall be shown in Proforma, K, L, N & O only.

SCHEDULE I
(See rule 3)
ANNEXURE II

Name of the Company

Name & Address of the factory

Statement showing the cost of steam raised /consumed during the year ended.....

	Current year (Units)	Previous year (Units)
	Pressure Qty.	Pressure Qty.
1	2	3

1. Installed capacity
2. Production
 - (a) *High Steam Pressure
 - (b) *Medium Steam Pressure
 - (c) *Low Steam Pressure
 - (d) Loss in Transit
 - (e) Total

*indicate the steam pressure

3.2 as a percentage of 1

S. No.	Particulars	Qty. Units	Rate Rs	Amount Rs	Cost of per tonne of steam raised	
					Current year	Previous year
1	2	3	4	5	6	7

Rs. Rs.

1. Water (as per Annexure 1)
2. Fuels (a) Coal
 - (b) Fuel Oil
 - (c) Others (To be specified)
3. Consumable stores
4. Salaries wages
5. Repairs maintenance
6. Other Overheads
7. Depreciation
8. Total
9. Less: Credit, if any
10. Net qty. cost of live steam

- (a) Fixed
- (b) Variable

Units Amount (Rs.)
2 3

Consumed for:

1. Power Generation
 2. Manufacturing Deptt. (to be specified)
 3. Other service Deptt. (to be specified)
 4. Others, if any (to be specified)
- Total vide 10 above

- Notes:
1. If steam is supplied to any other outside party necessary credit for recoveries shall be given against item 9.
 2. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual payment of the same during the period and interest charges on borrowings including debentures shall be shown in Proforma K, L, N, & O only.
 3. Basis adopted for valuation of steam at different pressure be also indicated in the records.

SCHEDULE I
(See rule 3)
ANNEXURE II

Name of the Company:

Name & Address of the factory :

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

	Current year	Previous year
Installed capacity KWH		
No. of units generated KWH		
No. of units purchased KWH		
Total		
Self consumption in power house and other losses KWH		
Net units consumed		
1. %age of loss to total power generated & purchased		
2. %age of power generated to installed capacity		

S.No.	Particulars	Qty. (Units)	Rate/ Units (Rs.)	Amount/ (Rs.)	Current year (Rs.)	Previous year (Rs.)
1	2	3	4	5	6	7
A.1	(a) Fuel Oil/ steam					
	(b) Other materials (to be specified)					
	2. Consumable stores					
	3. Other direct charges (such as Electricity Duty etc.)					
	4. Salaries & Wages					
	5. Repairs & Maintenance					
	6. Other overheads					
	7. Depreciation					
	Total:					
	8. Less: (i) Credit for supply to other units of the company					
	(ii) Other parties					
	9. Net cost of power generated					

B.1. Purchased power

C. Total A&B (a) fixed
(b) Variable

D. Cost per unit (average)

E. Consumed in	No of units KWH	Amount
1.		
2.		
3.		
4.		
5.		
6. etc		
Total	_____	_____

Notes:

- A. Cost per unit generated shall be worked out with reference to the net unit of power available for use after deducting consumption in the Power House/Own generator and other losses.
- B. Where meters are not installed consumption of power by the different cost centres/Deptts. Shall be assessed on a reasonable basis and applied consistently.
- C. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual amount paid on this account during the period and interest charges or borrowings including debentures shall be showing Proformae K, L, N & O only.
- D. Realisation if any by sale of power to outside parties, etc., shall be shown separately against item No.8.

PROFORMA A
SCHEDULE II
(See rule 3)

Name of the company:

Name & address of the factory:

Statement showing the conversion and primary packing cost for various operation cost centres for
Tables/Capsules/powder for the year ended.....

SL	Particulars	Production /Service Cost Centres								
1	2	3	4	5	6	7	8	9	10	11
	Weighing mixing 1 st stage	Mixing 2 nd stage	Shifting drying	Table making (compression)	Table coating	Capsules filling	Sorting/ Inspection	Quality Control	R&D	
A.	Conversion Cost /Packing Charges (Rs.)									
1.	Wages & Salaries									
2.	Consumable stores/operating									
3.	Utilities									
	(a) Water									
	(b) Steam									
	(c) Power									
	(d) Others									
	(To be specified)									
4.	Other direct expenses									
5.	Repairs & Maintenance									
6.	Depreciation									
7.	Other Works overhead									
8.	Adjustment for opening/ closing W.I.P.									
9.	Adjustment for cost variance									
10.	Total									
	(a) Fixed									
	(b) Variable									
B	1. Machine hours/ Director labour hours									
	(a) Available									
	(b) Worked									
	2. Cost per machine/Direct labour hour worked									
	(a) Fixed									
	(b) Variable									
	(c) Total									

1	2	3	4	5	6	7	8	9	10	11
---	---	---	---	---	---	---	---	---	----	----

3. Cost per machine/Direct labour
hour worked
Previous year
- (a) Fixed
(b) Variable
(c) Total

Primary Packing Cost Centres

Others (to be specified)	Total	Strip Packing Aluminium	Blister Paper	Others (Specify)	Cartoning	Bottle tin packing	Boxing labeling	Other (specified)	Total	Grand total of Production and packing costing centres	
12	13	14	15	16	17	18	19	20	21	22	23

- Notes: 1. Cost Centre are illustrative only.
2. Item A 9 Applicable to companies maintaining cost records on standard costing.
3. Bonus to employee other than incentive bonus, provision for statutory gratuity or actual payment of the same during the period and interest charges on borrowings including debentures shall be exhibited in proforma K, L, N & O.
4. Actual direct labour/machine hours utilized for each type and size of pack of formulation shall be recorded batchwise.
5. Where special machines, such as high speed, automatic etc. are used for a particular process of manufacturer, separate cost centre shall be opened for each such machine or group of such machines.

PROFORMA B

Name of the company:

Name & address of the factory:

Statement showing the appointment of conversion/cost to various tablets/capsules/powder for the year the year ended.....

S	Tablets/ No Capsules (specific products formula- tions)	Size and Qty.	Weighing/ mixing	Mixing 2 nd Stage	Shifting/ drying	Table making (com pression)	Capsules filling	Sorting/ Inspection	Quality Control	R&D	Others	Total
1	2	3	4	5	6	7	8	9	10			
			A B	A B	A B	A B	A B	A B	A B	A B	A B	

A Apportionment of Conversion cost

- 1
- 2
- 3
- 4
- 5
- 6 etc

Total

B Apportionment of Packing cost Capsules	Tablet/ Size	Strip Packing Aluminium	Blister	Paper	Others to be specified	cartoning	Bottle tin packing	Boxing / labeling	Other to be specified	Total Rs.
		A B	A B	A B	A B	A B	A B	A B	A B	

- 1
- 2
- 3
- 4
- 5
- 6 etc

Total

Notes: A= Actual direct labour/Machine hours utilized as per actual recording or any other appropriate basis of apportionment.
B = Conversion cost in rupees.

PROFORMA C

Name of the Company.....

Name and address of the Factory

Statement showing conversion and primary packing cost for various operations/cost centres for Liquids (Syrup)/Suspension).

Production Cost Centre											
S. No.	Particulars	Weghing & mixing of Raw Material	Propor- tion of Solution	Filtera- tion	Homogini- zation	Final Filtration	Storage	Quality Control	R&D	Others (to be specified)	Total
1	2	3	4	5	6	7	8	9	10	11	12
A Conversion Cost/Packing Charges (Rs.)											
1. Wages & Salaries											
2. Consumable Stores/Operating Supplies											
3. Utilities											
(a) Water											
(b) Steam											
(c) Power											
(d) Demineralised Water											
(e) Others (to be specified)											
4. Other Direct Expenses (To be specified)											
5. Repairs & Maintenance											
6. Depreciation											
7. Other Works Overhead											
8. Adjustment for opening & Closing W.I.P.											
9. Adjustment for cost variance											
10. Total											
(a) Fixed											
(b) Variable											
1. Machine Hours/Direct labour hours											
(a) Available											
(b) Worked											
2. Cost per machine/Direct labour hour worked											
(a) Fixed											
(b) Variable											
(c) Total											
3. Cost per machine/direct labour hour worked previous year											
(a) Fixed											
(b) Variable											
(c) Total											

Primary packing cost centre						
Washing of Bottles	Filling Sealing & Labelling	Cartoning	Boxing	Others (to be specified)	Total	Grand Total of Production and packing cost centres
13	14	15	16	17	18	19

- Note:
1. Cost Centres are illustrative only.
 2. Item A.9 applicable to companies maintaining cost records on standard costing.
 3. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual payment of the same during the period and interest charges on borrowings including debentures shall be exhibited in proformae K, L, N & O.
 4. Actual Direct labour machine hours utilized for each type and size of pack of formulation shall be recorded batchwise.
 5. Where special machines, such as high speed automatic etc are used for a particular process of manufacture, separate cost centres shall be opened for each such machine or group of such machines.

PROFORMA D

Name of the Company.....

Name and address of the Factory

Statement showing the apportionment of conversion/packing cost of various liquids (Syrup/
Suspension) for the year ended

S. No.	Type of Liquid (Syrup/Suspension) (Specific Products for-Mulations)	Type & Size of pack	Weghing & mixing of Raw Material		Prepara- tion of Solution		Filtera- tion		Homogini- zation		Final Storage Filtration		Quality Control		R&D		Others (To be specified)		Total		
			A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		Rs.	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22

A Apportionment of Conversion cost

- 1
- 2
- 3
- 4
- 5
- 6 etc

Total

S. No.	Apportionment of Packing cost-Liquids (syrup/suspension)	Washing of Bottles		Filling/Sealing & Labelling		Cartoning		Boxing		Others (To be Specified)		Total
		A	B	A	B	A	B	A	B	A	B	
1	2	3	4	5	6	7	8	9	10	11	12	13

- B. 1
- 2
- 3
- 4
- 5
- 6 etc.

Total

Note:

A- Actual direct labour/ Machine hours/utilised as per actual recording or any other appropriate basis of apportionment.

B- Conversion cost in rupees.

PROFORMA E

Name of the Company.....

Name and address of the Factory

Statement showing the conversion and primary packing cost for the various operations/cost centres - for injections (Ampoules and Vials) for the year ended.

S. No.	Particulars	Raw Materials Weighting etc.	Solution making	Filtration	Washing	Siliconization	Sterilization
1	2	3	4	5	6	7	8

A. Conversion Cost (Rs.)

1. Wages & Salaries

2. Consumable stores/Operating Supplies 3. Utilities

(a) Water

(b) Steam

(c) Power

(d) Others

(To be specified)

4. Other direct Expenses (To be specified) 5. Repairs & Maintenance.

6. Depreciation

7. Other Works Overhead.

8. Adjustment for opening & closing W.I.P.

9. Adjustment for cost variance.

10. Total

(a) Fixed

(b) Variable

B1. Machine hours/

Direct labour Hours

(a) Available

(b) Worked

2. Cost per Machine/

Labour Hours Worked

(a) Fixed

(b) Variable

(c) Total

3. Cost per Machine/

Labour hour worked

for previous year

(a) Fixed

(b) Variable

(c) Total

Filling/ Sealing	Inspection	Sterlization	Testing	Cartoning & Labelling	Boxing	Quality Control	R & D	Others (to be Specified)	Total
9	10	11	12	13	14	15	16	17	18

Notes :

1. Cost Centres are illustrative only.
 2. Item A9 applicable to companies maintaining cost records on standard costing.
 3. Bonus to employees other than incentive bonus, provision for statutory gratuity on actual payment of the same during the period and interest charges on borrowings including debentures shall be exhibited in Proforma a KLN & O
 4. Actual direct labour/machine hours utilised for each type and size of pack of formulation shall be recorded batchwise.
 5. Where special machines, such as high speed, automatic etc. are used for a particular process of manufacture, separate cost centres shall be opened for each such machine or group of such machines.
-
-

PROFORMA F

Name of the Company

Name and Address of the Factory.....

Statement showing the apportionment of conversion/packing cost to various Injections (Ampoules/vials) for the year ended

S. No.	Type of injections (specific products)	Size	Raw Material		Solution making		Filtration		Washing		Siliconisation		Sterilization of Empties	
			Weighing		Etc.		A	B	A	B	A	B	A	B
			A	B	A	B	A	B	A	B	A	B	A	B
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Apportionment of Conversion/
Packing cost to various injections

1
2
3
4 etc.
Total

Filling & Sealing		Inspection		Sterilization		Teasting		Cartoning & Labelling		Boxing		Quality Control		R & D		Others (To be Specified)		Total
A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	Rs.
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34

Note :-

A-Actual direct labour/Machine hours utilised as per actual recording or any other appropriate basis of apportionment.

B- Conversion cost in Rupees.

PROFORMA G

Name of the Company

Name and address of the Factory

Statement showing the conversion and primary packing cost for various operations/Cost Centres for Ointments and Drops. for the year ended.....

S. No	Particulars	Washing of bottles/ Containers	Autoclaving/sterlization of bottles/ Containers	Weighing and mixing of material	Preparation of Solution/ oinment	Filtration
-------	-------------	--------------------------------	---	---------------------------------	----------------------------------	------------

A. Conversion cost/packing charges (Rs)

1. Wages & Salaries
2. Consumable Stores/
Operating supplies
3. Utilities
 - (a) Water
 - (b) Steam
 - {c) Power
 - (d) Others
4. Other direct Expenses
(to be specified)
5. Repairs & Maintenance
6. Depreciation
7. Other works overhead
8. Adjustment of opening &
closing WIP
9. Adjustment for cost variance
- 10.Total
 - (a) Fixed
 - (b) Variable

B 1. Machine hours/Direct Labour hour worked

- (a) Available
 - (b) Worked
 2. Cost of machine/Direct
Labour hour worked
 - (a) Fixed
 - (b) Variable
 - (c) Total
 3. Cost of machine Direct
Labour hour worked
Previous year
 - (a) Fixed
 - (b) Variable
 - (c) Total
-

Sterlization	Filing & Sealing	Inspection	Storage	Quality Control	R&D	cartooning	Boxing & Labelling	Others (to be Specified)	Total
8	9	10	11	12	13	14	15	16	17

Notes:

1. Cost Centres are illustrative only.
2. Item A 9 applicable to companies maintaining cost records on standard costing.
3. Bonus to employees other than incentive bonus, provision for statutory gratuity or actual payment of the same during the period and interest charges on borrowings including KLN debentures shall be exhibited in proforma & O.
4. Actual direct labour/machine hours utilised for each type and size of pack of formulation shall be recorded batchwise.
5. Where special machines, such as high speed, automatic etc. are used for a particular process of manufacture, separate cost centres shall be opened for each such machine or group of such machines.

PROFORMA H

Name of the Company

Name and address of the Factory

Statement showing the apportionment of conversion/packing cost to various ointments and Drops.

For the year ended.....

S. No.	Name of Ointments	Size / of pack	Washing of Bottle containers		Autoclaving Sterlization of bottles / containers		Weighing & Mixing of Material		Preparation of solution/ ointment		Filteration		Sterlization	
			4	5	6	7	8	9	10	11	12	13	14	15
1	2	3	A	B	A	B	A	B	A	B	A	B	A	B

1
2
3
4
5
6 etc. etc.

Total

Filling & Sealing		Inspection		Quality control		Testing		R & D		Storage		Cartoning		Boxing		Others (to be specified)		Total
A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	34
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	

Note: A-Actual direct labour/machine hour utilised as per actual recording, or any other appropriate basis of apportionment.

B- Conversion cost in rupees.

PROFORMA I

Name of the company. _____

Name &: address of the factory _____

Statement showing the cost of production of formulation for the year ended _____

1. Name of the formulation _____

2. Type of formulation _____

(Plain/coated tablet, soft/hard/printed/ capsules without/with band, sterile/Non-sterile liquid/powder /Ointment/ cream etc.,

3. Type of packing

(Aluminium/paper / cellophane/blisterstrips/vials/ ampoule/bottle/ tin/and etc.

4. Size of pack

(1mg, 2mg/10s, 100s, etc., 1ml/2ml/10ml etc., 5gms, 10 grms. etc.)

5. Batch size _____

6. No. of batches charged _____

7. No. of batches produced _____

8. Production	Standard	Actual	Loss	
			Normal	Abnormal
			Qty %	Qty %

a. Current year

b. Previous year

9. Packed production

a. Current year

b. Previous year

S.No.	Particulars	Unit	Qty	Rate	Amount	Cost/unit	
		Theoretical	Over- Total				
		Qty-Per	Ages, if	Rs.	Rs.		
		Batch	any			Cy	Py
		(1)	(2)			Rs.	Rs.

A1. Raw material cost

(cash item to be specified)

(a) Imported

(1)

(2)

(3) etc.

(b) indigenous-purchased

(1)

(2)

(3) etc.

(c) Own manufactured

(1)

(2)

(3) etc.

(d) etc.

Less waste/rejects

(qty. to be specified)

2. Total raw material (a+b+c+d)

B. Primary Packing Materials

- (1) Aluminum /PVC/Cellophane/
blister foil front.
 - (2) -----do----- Rear
 - (3) Bottle/Container/Tube
 - (4) Ampoule/vials
 - (5) Caps/Seals etc.
 - (6) Leaflets
 - (7) Cartons
 - (8) Others to be specified
 - (9) Less rejects/waste
(Qty. to be specified)
-

(10) Total primary packing material cost

C. Total Material Cost (A+B)

D. (a) Conversion cost

- (1) Weighting & Mixing
 - Variable
 - Fixed
 - (2) Sifting
 - Variable
 - fixed
 - (3) Tablet coating-
 - Variable
 - Fixed
 - (4) Fixed
 - (5) etc. etc. (to be specified)
-
- (6) Total Conversion Cost
-

(b) Packing Cost/
Charges

- (1) Strip Making
 - Variable
 - Fixed
 - (2) Washing/ sterilibng of bottles
 - Variable
 - Fixed
 - (3) Filling &: sealing
 - Variable
 - Fixed
 - (4) Cartoning
 - Variable
 - Fixed
 - (5) Others (to be specified)
-

(6) Total Packing Cost

(c) Other Expenses

- (1) Inspection
 - Variable
 - Fixed

(2) Quality cont.

Variable

(3) Testing

Variable

Fixed

(4) R&D

Variable

Fixed

(5) Storage

Variable

Fixed

(6) Others (to be specified)

Total other expenses

G.1. Total cost [D(a)+D(b)+D(c)]

2. Adjustment for opening &: closing work in progress

3. Adjustment for cost variances

(a) Raw material

(b) Packing material

(c) Conversion &: packing charges

(d) Total

4. Total Cost of Production.

Notes :

1. This proforma shall be prepared for each type and size of packing (1 mg. 2 mg./l_ 100s etc. 1ml./2ml./1Dml. etc. 5 gm./10 gms etc. plain/coated tablet soft/hard/printed capsules, sterile/non sterile liquid/power, ointment/cream etc. in different packing of aluminium/paper/blister / strip vials / ampoule bottle/ tin/ jar etc. formulations separately.

2. Separate statement shall be prepared as above for export packing.

3. Bonus to employees other than incentive bonus, provisions for statutory gratuity or annual payment during the period and interest charges of borrowings including debentures shall be exhibited in proformae KL.N. & 0 only.

4. Item No. G.3 is applicable for companies following standard costing.

5. The cost raw material and packing material shall be based on actual consumption for each size and type of formulation.

6. The abnormal loss, if any, both in quantity and cost shall be shown in a separate statement indicating the reason therefor.

7. CY-Current year.

PY-Previous year.

8. The Conversion and packing costs should tie with Proforma B.D.F and H.

PROFORMA J

Name of the company
 Name & address of the factory
 Statement showing the cost of packed product.
 For the year ended-

1. Name of the Formulation
2. Type of formulation
 (Plain/coated tablet, soft/hard/printed/capsule without/with band, sterile/Non-sterile, liquid/powder/ointment/ cream etc.)
3. Type of packing
 (Aluminium/paper/cellophane/blister strips/vials/ampoule, bottle, tin jar, with/without dropper/cutting blade, catch cover etc.)
4. Size of pack
 (10s 100s etc./1ml, 2ml, 10ml, etc./5 gms/10 gills. etc.)

- | 5. Production | Current | Previous Year |
|---------------------------------|---------|---------------|
| (a) Qty. produced | | |
| (b) Qty. packed | | |
| (c) Number of packs | | |
| (d) Qty. & Number of packs sold | | |

Sl No.	Particulars	Unit	Qty.	Rate	Amt. Rs.	Cost/unit
						Cy. Py. Rs. Rs.

- A. Cost of production
 transferred from proforma-I
- B. Secondary packing materials
 1. Cartons
 2. Leaflets
 3. Dropper
 4. Boxes
 5. Gum Tapes
 6. Others (to be specified)
 7. Less rejects/waste (qty. to be specified)
 8. Total secondary packing material cost

- C. Packing Cost/Charges
 1. Cartoning
 - Variable
 - Fixed
 2. Boxing
 - Variable
 - Fixed
 3. Total Packing Cost
 - Variable
 - Fixed

- D1. Cost of packed product (A+B+C)
 2. Less: Adjustment for cost variances

3. Total cost of packed product
 4. Less qty. transferred for clinical/ Samples/trial
 5. Add: Opening packed stock
 6. Less closing packed stock
 7. Cost of Goods Sold
 - (a) Domestic Sale
 - (b) Exports
 - (c) Total
-

1. This proforma shall be prepared for each type and size of packing (1mg., 2mg., 10s, 100s,etc., 1ml./2mL./10mL etc. 5 gm/ 10 gm etc., plain/coated tablet soft/hard/printed capsules, sterile/nonsterile, liquid/powder, ointment/cream etc. in different, packing of aluminium/paper /1-litery /strip, vials/ampoule, bottle/tin/jar etc. of formulations separately.
2. Separate statement shall be prepared as above for export packing.
3. Bonus to employees other than incentive bonus, provision for statutory gratuity or annual, payment during the period and interest charges on borrowings including debentures shall be exhibited in Proforma K, I, N and O only.
4. Item No.D.2 is applicable for companies following standard costing.
5. The cost of raw material and packing material shall be based on actual consumption for each size and type of formulation.
6. Cy = Current Years.
7. Py = Previous Year.

PROFORMA K

Name of the company

Name and address of the factory.....

Statement showing cost of sales and sales realisation. Domestic sale) For the year ended

Sl. No.	Name of the Formulation	Type of Packing	Size of bottle and pack	Cost of packed product sold as per Profoma J ----- Qty. Value	Share of Administration Overheads	Post manufacturing expenses (as per details given in Proforma 'K-I)	Interest	Bonus other than incentive bonus	Gratuity
---------	-------------------------	-----------------	-------------------------	--	-----------------------------------	---	----------	----------------------------------	----------

1	2	3	4	5	6	7	8	9	10	11
---	---	---	---	---	---	---	---	---	----	----

I. Tablets/Capsules/Powder

A. Tablets

- 1.
- 2.
- 3.
- 4.

5. etc.

Total A

B. Capsules

- 1.
- 2.
- 3.
- 4.

5. etc.

Total B

C. Powder

- 1.
- 2.
- 3.
- 4.

5. etc.

Total C

Total (A+B+C)

1	2	3	4	5	6	7	8	9	10	11
---	---	---	---	---	---	---	---	---	----	----

II. Liquid (Syrup/Suspension)

- 1.
- 2.
- 3.
- 4.
5. etc.

Total II

III Injectibles

(a) Ampules

- 1.
- 2.
- 3.
- 4.
5. etc.

(b) Vials

- 1
- 2
- 3
- 4
- 5 etc.

Total III

IV Drops/Ointments etc.

- 1.
- 2.
- 3.
- 4.
5. etc.

Total IV

Grand Total (I to IV)

Other Expenses (not included in cost) Net of Misc.Expenses	Total cost of sales (excluding excise duty)	Net sales realization	Margin	Per Pack					
				Cost of sales		Net sales		Margin	
				Cy	Py	Cy	Py	Cy	Py.
12	13	14	15	16	17	18	19	20	21

Notes :

1. Average Sales realisation shall be indicated separately for quantities sold at:-

(i) Prices notified by the Central Government.

(ii) Prices fixed by the company.

Cy = Current year.

Py = Previous year.

PROFORMA K-I

Name of the Company... ..

Name and address of the Factory.....

Statement showing details of post manufacturing expenses (as referred to in proforma K)

Sl No.	Name of the Formulation (Specific Products, e.g. Tablets, Capsules Powder,Injectibles, Vials, drops/ Ointments etc.)	A. Distribution (a) salaries & Wages (b) Godown/warehousing charges (c) Breakages (d) Others	Post B. Outward Freight	Manufacturing C. Sales Promotion expenses (a) salaries & Wages of sales staff (b) Salaries & Wages of others (c) Samples (d) Promotional literature (e) Travelling (f) Conferences (g) Other (to be specified) (h) Sub-total	Expenses D. Trade Commission (a) Distributor (b) wholesaler (c) Retailer (d) Sub-Total	Total (A to D)
1	2		3		4	
I. Tablets/Capsules/Powder						
	A. Tablets					
	1					
	2					
	3					
	4					
	5 etc.					
	Total A					
B. Capsules						
	1					
	2					
	3					
	4					
	5. etc.					
	Total B					
C. Power						
	1					
	2					
	3					
	4					
	5 etc.					
	Total C					
	Total (A+B+C)					
II. Liquid (Syrup/Suspension)						
	1					
	2					
	3					

4
5 etc.

Total II

III. Injectibles

(a) Ampoules

1
2
3
4
5 etc.

(b) Vials

1
2
3
4
5 etc.

Total III

IV. Drops/Ointment etc.

1
2
3
4
5 etc.

Total IV

Grand Total to I to IV

PROFORMA L

Name of the Company... ..

Name and address of the factory.....

Statement showing cost of sales and sales Realisation for Formulations Exported during the year ended.....

Sl. No.	Name of the Formulation	Type of packing	Size of packing	Cost or packed Product exported (as per proforma)		Distribution Expenses	Selling overhead	Share of administrative
				Qty	Value			
1	2	3	4	5	6	7	8	9

Tablets/Capsules/Powder

A. Tablets

1

2

3 etc.

Total

B. Capsules

1

2

3 etc.

Total

C. Power

1

2

3 etc.

Total

II. liquids

(Syrup /Suspension)

1

2

3

4 etc.

Total

III. Injectibles

A. Ampoules

1

2

3

4 etc.

Total

B. Vials

- 1
- 2
- 3
- 4 etc.

Total

IV Drops/Ointments

A. Drops

- 1.
- 2.
- 3.
- 4. etc.

Total

B. Ointments

- 1.
- 2.
- 3.
- 4. etc

Total

G. Total

Frigh	Export	Interest	Annual	Gratuity	Other expenses	Total	Less other	Total F O B
	Expenses	Charges	bonus to		not included		income not	cost
			Employees		in cost (items to		considered	excluding
					Be specified)		in cost	Excise duty
10	11	12	13	14	15	16	17	18

PROFORMA L-I

Name of the Company.....
 Name and address of the Factory.....
 Statement showing cost of Sales and sales Realisation for formulations
 Exported during the year ended.....

Sl. No.	Name of Formulation	Type of packing	Size of packing	Total FOB cost excluding Excise Duty	Export Realisation					
					CIF Value	Sea/Air Freight	Insurance	Commission	Total FOBM Value	LESS
1	2	3	4	5	6	7	8	9	10	11
12	13	14	15	16	MARGIN		PER PACK			MARGIN
					Cost of Sales	Net Sales Realisation				
					CY	PY	CY	PY	CY	PY
17	18	19	20	21	22					

Give details as per Proforma L Page

PROFORMA M

Name of the Company

Name and Address of the Factory.....

Statement showing details of Price Realisation of Sale of Formulations Pack-wise during the year ended

Sl. No.	Type of Formulations (Brand Name)	Size of pack	PER PACK					Price Realised by Company	
			LESS						
			Price Payable by Consumers Excluding Local Taxes	Excise Duty	Whole saler's Discount	Retailer's Discount	Others	Total	
1	2	3	4	5	6	7	8	9	10
1									
2									
3									
4									
5									
6									
7									
8									
9									
10 etc.									

Note

1. Data shall be given for each size and type of pack of each formulation sold separately
2. The price per pack at which sales realisation computed and shown in profit and loss account under sales shall be taken in proforma K & L

21. Less closing stock

(a) Work in process

(b) finished goods

22. Total

B. Income

1. Sales

2. Other income

3. Total

C. Margin

Factory overhead	Adminis- tration overhead	Distribution Expenses	Selling overhead	Bonus other than incentive bonus	Gratuity provisions paid	Interest charges	Other expenses	Work in process Adjustment	Finished stock Adjustment
17	18	19	20	21	22	23	24	25	26

Notes

1. Items detailed in Column (2) are illustrative only and not exhaustive. While by and large expenses heads may conform to items as mentioned column (2). Wherever expenses are classified under other heads these may be adopted.

2. Details of utilities mentioned in columns (10) to (16) are illustrative only.

3. In case financial accounts have not been audited figures in column (3) may be given on the basis of provisional financial accounts.

PROFORMA O

Name of the Company:.. year ended
Statement showing the Allocation of Expenses/Income of the Company between bulk drug/ other activities during the year ending

Sl. No.	Particulars	Total Actual Expenses/ Income	Share applicable to		
			formulation	Bulk drug	Other Activities
1	2	3	4	5	6
	1. Raw material consumed				
	2. Packing material/consumed				
	3. Direct salaries/wages				
	4. Utilities				
	(a) Power				
	(b) Water				
	(c) Steam				
	(d) Effluent treatment				
	(e) Air Conditioning				
	(f) Quality Control				
	(g) Others (To be specified)				
	5. Stores & Spare				
	6. Repairs & Maintenance				
	7. Depreciation				
	8. Factory Overhead				
	9. Administration Overhead				
	10. Adjustment for difference between opening & closing stock (work in process.)				
	11. Less credit for recoveries.				
	12. Stock adjustment for difference between opening and closing stock (unpacked)				
	13. Packing cost				
	14. Distribution Cost				
	15. Stock adjustment for difference between opening and closing stock (packed)				
	16. Total				
	17. Selling Expenses				
	18. Total				
	19. Annual bonus to employees other than incentive bonus				
	20. Interest				
	21. Provision for statutory gratuity				
	22. Other expenses not included in cost (Items to be specified)				
	23. Other incomes not considered in cost (Items to be specified).				
	24. Total (Excluding Excise Duty)				
	25. Net Sales realisation (Excluding Excise Duty)				
	26. Margin as per Financial Accounts				

Notes: Figures in Col.3 shall be the same as those shown in column (2) item A, item B and item C of proforma 'N' or duly reconciled.

[SCHEDULE III

[See rule 3(2A)]

1. MATERIALS:

(1) The proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of direct materials such as bulk drugs, pharmaceutical aids, excipients etc. required and actually used in the manufacture of different types of formulations batch wise. The basis on which said quantities and costs of issue and consumption have been calculated shall be indicated in the cost records and followed consistently. In the case of imported raw materials proper records shall be maintained showing FOB value, overseas freight, insurance, customs duty and inland freight charges. If both indigenous and imported materials are consumed, the records showing details of percentage mix of the same have to be maintained for each item. In the case of imported raw material proper records shall be maintained showing license-wise allowed quantities, actual quantities imported, actual quantities consumed, quantities in stock and quantities yet to be imported out of total licensed quantities.

1(a). In case, any bulk drug/intermediate/process chemical already covered under the Cost Accounting Records (bulk drugs) Rules prescribed, is manufactured by the company, proper cost records shall be maintained as per those rules so as to arrive at the cost of such items.

(2) The proper records shall be maintained separately showing the receipts, issues and balances both in quantities and cost of each item of process material, chemicals and solvents used in the manufacture of formulations. The cost shall include all direct charges up to works.

(3) Where basic raw materials or ingredients are produced or farm products raised by the company, separate records showing the cost of production of each such material indicating the break up of material consumed shall be maintained to determine the cost of process material produced. The basis on which the quantities and costs of issues and consumption of such materials or products produced/raised by the company are calculated shall be indicated in the cost records and followed consistently.

(4) The issues, consumption of production materials shall be identified with the batch of production, departments, and cost centre. Consumption reflected in cost records should correspond to the data recorded in manufacturing register under the drug Rules.

(5) The proper records shall be maintained indicating the quantity as well as value of by-products recovered in different processes having significant value in relation to cost of materials. In the case of certain by-products recovered, which cannot be reused in the process and are sold or disposed of without further processing, the realization from such sales shall be recorded and adjusted against the process concerned. In case further processing is necessary to make the by-products usable or saleable, as the case may be, adequate records of the cost involved for such further processing shall be maintained. If such processing is done by any outside agency, proper records to show the quantity sent for processing, quantity received back after processing and the cost incurred thereon shall be maintained in detail. The net realization, if any shall be adjusted against the major process relating to such by-product. The cost of by-products shall be determined on equitable and reasonable basis and applied consistently. The records indicating the actual sales realization of by-products shall also be maintained. Similar procedure shall be followed in the case of joint products/by products obtained in respect of other systems of medicines also.

(6) The proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost of each item of consumable stores, other chemicals not covered by sub-rule (2), tools and machinery spares. The cost shall include all direct charges up to works. Adequate quantitative records for determining the net consumption of pharmaceutical aids, excipients etc. which are used for manufacturing shall be maintained. The cost records shall clearly indicate absorption or loss in the process of these items used for the production of each formulation in a scientific manner.

(7) In the case of consumable stores and small tools the cost of which are insignificant, the company may, if it so desires, maintain such records for the group of such consumable stores and tools.

(8) The cost of consumption of consumable stores, small tools and machinery spares shall be charged to the relevant cost centre/department on the basis of actual issues.

(9) The proper records shall be maintained showing the quantity and value of wastage, spoilage, rejections and losses of raw materials, process materials, consumable stores 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 spoilage, if any, in determining the cost of product shall be indicated in the cost records. Any abnormal wastage or spoilage or rejection shall be indicated distinctly and separately along with reasons thereof.

(10) The proper records shall be maintained to indicate the value of raw materials and components, finished and semi-finished which have not moved for more than twelve months.

(11) Where any credit under Central Value Added Tax (CENVAT) or any other benefits of the nature of CENVAT Credit under the Central Excise Act, 1944 (1 of 1944) are available on any item of material, the cost of such material should be shown after adjusting such credit or benefits.

(12) If any of the materials purchased is processed by an outside party proper records shall be maintained for the quantity sent for processing, quantity received after processing, by products received, if any, and the cost involved in processing.

2. SALARIES AND WAGES:

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

- (a) Piece, rate wages (Wherever applicable);
- (b) Incentive wages, either individually or collectively as production bonus or under any other scheme based on output;
- (c) Overtime wages
- (d) Earnings of casual labour/contractual labour;
- (e) Bonus or gratuity, statutory as well as others,
- (f) Contribution to superannuating scheme
- (g) Any other earning of the similar nature.

(2) The records shall be maintained in such a manner as to enable the company to furnish necessary particulars under this head in Proformae A, B, C, D and E of Schedule III annexed to these rules. The records may be maintained to book these expenses cost centre wise or department wise with reference to activities related to the production of Formulations. 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 and reasonable basis and applied consistently. .

(3) The idle labour cost shall be separately recorded under classified headings indicating the reasons there for the method of accounting followed for accounting of idle time payments in determining the cost of the product shall be disclosed in the cost records.

(4) Any wages and salaries allocable, to capital works such as additions to plant and machinery, buildings or other fixed assets shall be accounted for under the relevant capital heads. Similarly payments in the nature of deferred revenue expenditure shall be separately recorded under separate classified headings indicating the reasons therefore. The method followed for accounting of such payments in determining the cost of the product shall be on equitable and reasonable basis and applied consistently. The said method shall be disclosed in the cost records also.

(5) Only such retirement cost, which are likely to provide benefits in terms of savings in cost in future shall be treated as deferred revenue expenditure. This amount shall be treated as extraordinary item. Therefore these expenses shall not form part of salary and wages and shall be shown separately as an abnormal item of expense. Similarly excess of termination benefits for the past period payable over and above the provision made in this regard shall also be treated as abnormal item of expense. The expenses on account of any Voluntary Retirement Scheme shall be excluded from valuation of inventories and also for that period as these expenses do not result in putting the inventories to their present location and condition.

3. SERVICE DEPARTMENT EXPENSES:

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

4. UTILITIES:

(1) Water: -The proper records showing the quantity and cost of treated, or chilled or raw or soft or demineralised water or brine produced and consumed, if any, for the manufacture of any type of Formulations in different cost centres or departments shall be maintained. The cost of treated water apportioned to the cost centres or departments concerned shall be on equitable and reasonable basis and applied consistently.

(2) Steam: - Where steam is raised by the company, proper records showing the quantity and cost of steam raised and consumed for the manufacture of the Formulations shall be maintained. The cost of steam consumed by the Formulations units and by other units of the company shall be apportioned on equitable and reasonable basis and applied consistently. Where steam is raised and supplied by any other unit of the company to the Formulations plant, the cost of steam so supplied shall be charged to the Formulations Plant on actual cost basis.

(3) Power: -Where power is purchased, proper records shall be maintained for the units and cost of power consumed for the production of Formulations in different cost centres or departments. Where the company itself generates power, adequate records, showing all elements of cost shall be maintained to show the cost of power generated and consumed for the production of the Formulations in different cost centres or departments. Records shall also indicate installed capacity; number of units generated and consumption in each cost centre or departments separately. Where power is generated and supplied by any other unit of the company to the Formulations plant adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power consumed by the Formulations units and by other units of the company shall be apportioned on equitable and reasonable basis and applied consistently. The records shall state clearly the measures taken on conservation of energy and its corresponding impact on per unit cost of production.

(4) Air-Conditioning; - The proper records shall be prepared to enable determination of the cost of air conditioning and its distribution cost centre wise or department-wise. The cost of air conditioning shall be apportioned to Formulations on equitable and reasonable basis and applied consistently.

(5) Oxygen/Nitrogen: - The proper records shall be maintained as per the Cost Accounting Record (Industrial

Gases) Rules, 1996 as amended from time to time showing the cost of Nitrogen produced or manufactured by the company for use in the production of formulations products. The nitrogen produced by the company shall be charged to formulations products on actual cost, only. If the company purchases the nitrogen, proper records showing the quantity purchased and consumed cost centre-wise or department-wise shall be maintained. These records shall show the cost of nitrogen delivered upto works including all direct charges.

(6) LPG: - the proper record showing quantity and cost shall be maintained in respect of LPG purchased by the company for the production of formulation.

(7) Other Utilities: - The proper records showing quantity and cost shall be maintained in respect of any other utilities produced or purchased by the company for the production or manufacture of Formulations.

(8) The Cost Statements for each utility shall be maintained separately in Proforma A.

5. WORKSHOP OR REPAIRS AND MAINTENANCE OR TOOL ROOMS:

(1) The proper records showing the expenditure incurred by the workshop or tool room under different heads and on repairs and maintenance in the various cost centres or departments shall be maintained. The records shall also indicate the basis of charging the workshop or repair and maintenance or tool room expenses to different cost centres or departments. Where maintenance work is done by direct workers of any production cost centre or department, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centre or department. If the services are utilized for other products also, the manner of charging a share of the cost of workshop or repairs and maintenance or tool room expense, to such products shall be on equitable and reasonable basis and applied consistently.

(2) In addition to the above, records shall indicate the amount and also the proportion of closing inventory of stores & spare parts representing items which have not moved for over twenty four months.

(3) The expenditure on major repair works from which benefit is likely to accrue for more than one financial year shall be allocated over the period expected to benefit on equitable and reasonable basis and applied consistently. Such costs shall be shown separately and method of accounting and the basis of the allocation of such costs shall also be clearly indicated in cost records.

6. DEPRECIATION:

Depreciation shall be allocated/ apportioned to various cost centres or departments and absorbed on all products on equitable and reasonable basis and applied consistently which shall be clearly indicated in the cost records. If depreciation charged or chargeable to the cost centres or departments is in excess or lower than the depreciation calculated by applying the rates 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 Formulations. The cumulative depreciation charged in the cost records, against any individual item of asset shall not however, exceed the original cost of the respective asset.

7. OTHER OVERHEADS:

(1) The proper records shall be maintained for the product under reference showing the various items of expenses comprising the other overheads. These expenses shall be analyzed, classified and grouped according to functions, namely, works, administration, selling and distribution.

(2) Where the company is manufacturing products other than the Formulations there of, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the

company to such products and Formulations, including capital works. Where certain expenses forming part of overheads can be identified with a particular activity or a product, such expenses shall be first segregated and charged to the relevant activity or product and thereafter the residual 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. The basis of apportionment or absorption of overheads to the cost centres or departments and products shall be indicated in the cost records. The records shall be maintained in such a manner as to indicate the details of works administration, selling and distribution overheads.

8. ROYALTY/ TECHNICAL KNOW-HOW FEE:

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

9. RESEARCH AND DEVELOPMENT EXPENSES:

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

(2) The method of charging these expenses to the cost of Formulations and 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 the Formulations and other products if any, on equitable and reasonable basis and applied consistently. The following criteria, which are only indicative and not exhaustive, may be adopted in such cases:

- (i) The product or process is clearly defined and the costs attributable to the product or process can be separately identified.
- (ii) The technical feasibility of the product or process has been demonstrated.
- (iii) The management of the enterprise has indicated its intention to produce and market, or use, the product or process.
- (iv) There is a reasonable indication that current and future research and development costs to be incurred on the project together with expected production, selling and distribution costs are likely to be more than covered by related future revenues/benefits; and
- (v) Adequate resources exist, or are reasonably expected to be available, to complete the project and market the product or process.

(3) The 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 Formulations. The amount recovered for providing technical know-how to outsiders shall also be indicated separately and excluded from the income arising from the sale of Formulations.

10. QUALITY CONTROL:

The adequate records shall be maintained to indicate the expenses incurred in respect of quality control department or cost centre for product under reference. Where these services are also utilized for other products

of the company, the basis of apportionment to Formulations and to other products shall be on equitable and reasonable basis and applied consistently.

11. INTEREST:

The proper records shall be maintained for interest charges paid. The amount of interest shall be allocated or apportioned to the products covered by these rules and other activities on equitable and reasonable basis and applied consistently. The basis of further charging of the share of the interest to the various types of such products shall also be reasonable and equitable and applied consistently. The basis of such allocation or apportionment shall be spelt out clearly in the cost records or statements.

12. EXPENSES OR INCENTIVES ON EXPORTS:

The proper records showing the expenses incurred on the export sales, if any, of the Formulations shall be separately maintained so that the cost of export sales can be determined correctly. Separate cost statement shall be prepared for Formulations exported giving details of export expenses incurred or incentive earned. In case, duty free imports are made, the cost statements should reflect this fact. If the duty free imports have been made after actual production, the statement should reflect this fact also.

13. PACKING EXPENSES:

(1) The proper records shall be maintained showing separately all receipts, Issues and balances both in quantities and cost of various packing materials such as strips, ampoules, vials, bottles. Cartons bottles, labels literature etc. and for wages and other expenses incurred in respect of different sizes of packs adopted for marketing of formulations separately. The details of various packing materials actually used and spoiled shall be maintained in respect of each formulation. Where any formulation is repacked due to defective packing details of such repacking for each formulation, size/pack wise -shall is maintained if repacking cost is significant. If the company manufactures such packing materials, proper records showing the cost of production of such items shall be maintained.

(2) Where packing expenses are incurred in common, the basis of apportionment of such expenses amongst different types and sizes .of formulations and other products shall be equitable and clearly indicated in the cost records and applied consistently.

(3) The detailed records of the expenses incurred on export packing, if any, shall also be kept separately and exhibited in the relevant cost statements for exports.

14. WORK IN PROGRESS AND FINISHED STOCK:

The method followed for determining the cost of work in progress and finished stock of the Formulations shall be indicated in the cost records so as to reveal the cost element that have been taken into account in such computation. All conversion costs incurred in bringing the inventories to their present location and condition shall be taken into account while computing the cost of work in progress. The method adopted for determining the cost of work in progress and finished goods shall be followed consistently.

15. COST STATEMENTS:

(1) The cost statement showing details of installed capacity, production, wastage, issues and sales and all elements of cost of the current financial year and previous year shall be prepared for each process adopted in manufacture or production of Formulations in Proformae A, B, C, D and E.

(2) The product emerging from a process, which forms raw material or an input material for a subsequent process, shall be valued at the cost of production up to the previous stage.

(3) If the company is operating more than one plant or factory, separate cost statements as specified above shall

be prepared in respect of each plant or factory.

16. PRODUCTION RECORDS:

Quantitative records of all finished goods, whether packed or unpacked showing production, issues for sales and balances of different type of the products under reference produced by the company shall be maintained.

17. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS:

(1) The cost statements shall be reconciled with the financial statements for the financial year specifically indicating the expenses or incomes not considered in the cost records or statements so as to ensure accuracy and to adjudge the profit of the product under reference with the overall profit of the company. The variations, if any, shall be clearly indicated and explained.

(2) A statement showing the total expenses incurred and income received by the company under different heads of accounts and the share applicable to other products and the products under reference shall be prepared and reconciled with the financial statement. .

18. ADJUSTMENT OF COST VARIANCES:

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

19. STATISTICAL RECORDS:

(1) The records regarding available machine hours or direct labour hours in different production departments and actually utilized shall be maintained for production of Formulations and shortfall suitably analyzed. Suitable records for computation of idle time of machines shall also be maintained and analyzed.

(2) The adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for the production or manufacture of Formulations and other products and other activities. Fresh investments of fixed assets for production) of Formulations that have not contributed to the production during the year shall be disclosed separately in the cost records. The records shall, in addition, show assets added as replacement and those added for increasing existing capacity. Also such records as will enable .to identify and/or allocate gross fixed assets, accumulated depreciation up to the year, net fixed assets under the heads Land & Buildings, Plant & Machinery, Furniture & Fixture etc. employed for the production of the formulations along with the method and rate of depreciation shall maintained. The basis of apportionment of common assets to the products(s)under reference shall also be indicated. In case of revaluation of assets, the same should be indicated separately. The basis of allocation of indirect assets to the respective formulations should be reasonable, equitable and shall be followed consistently.

(3) Whenever WTO provisions are attracted, proper records shall be maintained to identify the competitiveness of the product in the domestic as well as global market and the expenses, if any, incurred to combat the competition arising out of WTO provisions. Adequate statistical records shall also be maintained to identify the market share of the product manufactured and the likely impact thereon on account of competitive goods imported in to the country. These records shall indicate, inter alia, the total volume of imports, names of importers countries of origin and contain such empirical evidence as to show whether such imports can be construed as dumping and affecting the market share of the product. Proper records shall also be maintained, containing such details as may be necessary to show that the export price of the product is not such as to be construed as dumping in the importing country, by applying the provisions of WTO regarding anti dumping

measures under Article VI of GATT 94.

20. CAPTIVE CONSUMPTION:

If any Formulation/Intermediate is used for captive consumption the formulation division shall maintain proper records showing the quantity and cost of each item of Formulations transferred to other departments or units of the company for self-consumption and sold to outside parties. The rates at which the transfers are effected shall be at cost only. However, in the case of allopathic system of medicines, the selling price as well as the notional price notified by the Central Government under the Drugs (Prices Control) order, 1995 shall be shown by way of footnotes in the relevant cost statements indicating the basis on which the notional price has been arrived at.

21. 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.

22. HUMAN RESOURCES DEVELOPMENT:

Expenditure incurred by the company on the human resources development activity shall be recorded separately.

23. INTER COMPANY TRANSFER:

- (1) In respect of related party transactions or supplies made or services rendered by a company to its holding company or subsidiary or a company termed "related party relationship" as defined below and vice-a-versa, records shall be maintained showing contracts entered into, agreements or understanding reached in respect of:
 - (a) Purchase and sale of raw materials, finished products, process materials, chemicals and rejected goods including scraps, etc;
 - (b) Utilization of plant facilities and technical know-how;
 - (c) Supply of utilities and any other services;
 - (d) Administrative, technical, managerial or any other consultancy services; (e) purchase and sale of capital goods including plant and machinery;
 - (f) Any other payment related to production, processing or manufacturing of product under reference. These records shall also indicate the basis followed for arriving at the rates charged or paid for such products or services so as to enable determination of the reasonableness of such rates in so far as they are in any way related to product under reference.
- (2) The transactions by the following "related party relationships" shall be covered under sub-rule (1):
 - (a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, 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 economic activity So as to obtain benefits from it;
- (h) **"Key management personnel"** mean those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise;
- (i) **"Relative"**-in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may connected by blood relationship;
- (j) **"Holding company"** means a holding company within the meaning of Section 4 of the Companies Act, 1956 (1 Of 1956);
- (k) **"Subsidiary"** means a subsidiary company within the meaning of Section 4 of the Companies Act, 1956 (1 of 1956);
- (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."

24. MULTI-PURPOSE VESSELS:

When more than one manufacturing process is carried out in a particular or series of vessels, adequate records about the usage of such vessels for different products shall be kept. The cost of using such vessels shall be charged to the different products on an equitable basis such as equipment occupancy hours. Where composite machine hour rates are applied for absorption of wages, overheads and equipment usage, proper records relating to the utilization of labour and multi-purpose vessels for different processes connected with the manufacture of

different products shall be kept to enable determination of total machine hours and the amounts chargeable to the respective Formulations or intermediates. The variances between the actuals and the amounts charged at pre-determined rates shall be adjusted for arriving at the actual cost of production at the end of the year.]⁹

⁹ Inserted by G.S.R. 706(E) dated 28th September 2001

PROFORMA A

Name of the company
Name and Address of the factory
Drug license no. & date
Statement showing the cost of utility like power, steam, water, effluent treatment etc. produced and consumption during the year/period

A. Quantitative information

Serial number	Particulars	Current year	Previous year
1.	Installed capacity		
2.	Qty produced		
3.	Capacity utilization		
4.	Qty re-circulated		
5.	Qty purchased		
6.	Consumption in power house including other losses		
7.	Net qty consumed		

B. Cost information

Serial number	Particulars	Qty	Rate	Amount	Cost per unit	
					Current year	Previous year
A.1.	Materials					
	a.					
	b.					
	c.					
2.	Utilities					
	a.					
	b.					
	c.					
3.	Consumable stores					
4.	Salaries & wages					
5.	Repairs and maintenances					
6.	Other overhead					
7.	Depreciation					
8.	Total					
9.	Less: credit, if any					
10.	Net total					
B.	Apportioned to					
	1.					
	2.					
	3.					
	4.					

Note

1. Separate cost sheet is to be prepared for each utility as well as effluent treatment.
2. If any of the utilities or services, which are manufactured by the company and transferred to any other unit of the company or is sold to outside parties, separate cost sheet shall be prepared in respect of such sale or transfer, which shall be effected at cost of sales of respective utility.

PROFORMA B

Name of the company

Name and address of the factory

Drug license no & date

Statement showing the conversion cost and packing cost for various cost centres for the

S. no.	Particulars	Production/Services cost Centres (to be specified)					Primary packing cost centres (to be specified)			Grand total	
		Total					Total				
1	2	3	4	5	6	7	8	9	10	11	

A. Conversion cost/packing cost/charges

1. Wages & salaries
2. Consumable store
3. Utilities (power, steam, water & other)
4. Other direct exp
5. Repairs & maintenances
6. Depreciation
7. Other work overhead
8. Administrative overhead
9. Less credit
10. Sub total
11. Adjustment for opening & closing stock
12. Total
13. Machine house/direct labour house (Available/Worked)
14. Cost per machine hours/labour hours (current year/previous year)

Notes:

1. Name of cost center may be filled as applicable to the product.
2. Actual direct labour/ machine hour utilized for each type and size of pack of formulations shall be recorded batch wise.
3. Where a special machine such as high speed automatic machine etc are used for a particular process of manufacturing, separate cost center shall be opened for each such machine or group of machine.
4. The administration overheads shall be included in the cost of production only to the extent they contribute in putting the goods produced to their present location and condition. The balance of administration overheads, if any shall be included in the cost of goods sold. The proformae may be amended accordingly, if required.

PROFORMA C

Name of the company

Name and address of the factory

Drug license no. & date

Statement showing apportionment of conversion cost to various products (to be specified) for the year ending

S. No.	Product/formulation (to be specified)	Size and qty	Cost centres(to be specified)						Total Rs.
1	2	3	4	5	6	7	8	9	10
			X Y	X Y	X Y	X Y	X Y	X Y	X Y

A. Apportionment of conversion cost

- 1
- 2
- 3
- 4
- 5
- 6
- Etc.
- Total

B. Apportionment of packing cost Type & Size of peck Primary packing cost centres (to be specified)

	11	12	13	14	15	16	Total
	X Y	X Y	X Y	X Y	X Y	X Y	X Y

- 1
- 2
- 3
- 4
- 5
- 6
- Etc.
- Total

X = Actual direct labour/ machine hours utilised as per actual recording or any other appropriate basis of apportionment
 Y = Conversion cost in rupees

PROFORMA D

Statement showing the summery cost of production, cost of sales, sales realization and margin in respect of each type of formulations for the financial year ended (mention the financial year)

Name of the company

Name and address of the factory

Drug license no. & date

S. No.	Particulars				
1.	Name of the formulations (with trade mark) manufactured/ marketed & its composition				
2.	Type of formulation	Plain/coated tablet, soft/hard /printed capsules with/ with out band, sterile/ Non sterile liquid powder/ ointment/ Cream etc. (please specify)			
3.	Type of packing	Aluminum/paper/cellophane/blister/stripe/vials/ampoule bottle/ tin/ jar etc. (Please specify)			
4.	Size of packing	(Please specify)			
5.	Batch size				
6.	Production	Standard		Actual	
		Current year	Previous year	Current year	Previous
	year				

- | | |
|------|--|
| I. | No. Of batches charged |
| II. | No. Of batches produced |
| III. | Total Qty Produced |
| IV. | Qty Packed |
| V. | (a) Qty sold in each pack size |
| | (b) Total number of packs sold |
| VI. | Assessable value of the product reconciled with excise records |

S.No.	Particulars	Unit	Quantity			Rate	Amount	Cost per unit	
			Theoretical qty	Actual overhead	Total qty			Current Year	Previous Year

A. 1. Raw materials

- (a) Imported (Specify the inputs)
- (b) Indigenous-purchased (Specify the inputs)
- (c) Own produced/manufactured (Specify major items)
- (d) Less waste/reject

2. Total raw materials cost

B. Primary packing materials

1. Aluminum/PVC/cellophane, blister foil etc. for front use
2. Aluminum/PVC/cellophane, blister foil etc. for back side
3. Bottle/container/tube etc
4. Ampoules/vials etc
5. Caps/sales etc.
6. Leaflets
7. Cartons
8. Other to be specified
9. Less reject/waste
10. Total

C. I. Conversion cost

1. Weighing and mixing
2. Filtration
3. Preparation of solution/ointment
4. Inspection

5. Qty control
 6. Testing
 7. Research and development
 8. Etc. (to be specified)
- Total

II. Packing cost

III. Other exp

1. Royalty
 2. Storage
 3. Other (specify)
- Total (cIII1 to III.3)

IV. Total of conversion cost plus packing cost and other expenses

D. Adjustment for difference in value of opening and closing work in progress

E. Adjustment for cost variance

F. Total cost of Production

G. Secondary packing materials

1. Cartons
2. Leaflets
3. Dropper
4. Boxes
5. Gum tapes
6. Other (other)
7. Less reject/waste
8. Total (G1 to G7)

H. Secondary packing cost/charges

1. Cartooning
2. Boxing
3. Other (specify)
4. Total (H1 to H3)

-
- I. 1. Total cost of packed product (F+G+H)
2. Less: Qty transferred for clinical/sample/trials etc.
 Add: opening packed stock
 Less: closing packed stock
3. Cost of good sold
 a. Domestic sale
 b. Export

-
- J. 1. Distribution cost (give details)
2. Sales promotion exp (give details)
 i. whole sellers
 ii. C & F agents
 iii. Retailers
 iv. Other (specify)
3. Trade commission
 i. Whole selling
 ii. C & F agents
 iii. Retailers
 iv. Other (specify)
4. Other (give details)
Total (J1 to J4)

K. Interest

L. Other exp/incomes not included in cost (give details)

M. Total cost excluding excise duty

- N. Total net sales realization excluding excise duty
Add: export benefits and incentives, if any
 - O. Margin
 - P. Maximum retail price excluding excise duty
 - Q. Maximum price under DPCO as applicable*
 - R. Assessable value of the product
 - S. Excise duty
-

Notes:

1. Separate proforma shall be prepared for each type or description of formulation.
2. Separate proforma containing the details specified in this proforma shall be prepared in respect of products exported.
3. Actual quantity consumed including overages, if any should be included in this proforma
4. The conversion cost shall be indicated cost centerwise separately in respect of tablets, capsules, syrups, injectables, ointment etc.
5. *Liabilities, if any, of overcharging on account of selling at a price higher than the price fixed by the Government be furnished.
6. The packing cost shall be indicated cost centerwise separately in respect of tablets, capsules, syrups, injectables, ointment etc.
7. The abnormal Loss, if any, both in quantity and cost shall be shown in a separate statement indicating the reasons and per unit impact therefore.
8. The value of export incentives and other benefits received on exports shall be included in sales realization.
9. The administration overheads shall be included in the cost of production only to the extent they contribute in putting the goods produced to their present location and condition. The balance of administration overheads, if any, shall be included in the cost of goods sold. The proforma may be amended accordingly, if required.

PROFORMA E

Name of the company

Name and address of the factory

Drug licence no. & date

Statement showing the total production and allocation of total actual exp and income of the company between Formulation and other activities for the year ending

Allocation of total expenses and income for the year ending

S. No.	Particulars	Total actual Exp as per Audited annual Accounts	Share applicable to other activities	Share applicable to Formulation	Share applicable to Bulk Drugs, if any	Basic of allocation on
1	2	3	4	5	6	7
1.	Raw materials consumed					
2.	Packing materials consumed					
3.	Process materials/chemical consumed					
4.	Salaries & wages					
5.	Utilities					
6.	Consumable stores and spares					
7.	Depreciation					
8.	Repairs & maintenances					
9.	Royalty					
10.	Research & development					
11.	Quality control					
12.	Other factory overhead					
13.	Administrative overhead					
	A. Salaries & wages					
	B. Other (specify)					
	C. Total (a+b)					
14.	Total (1 to 13)					
15.	Less: Credit from wastage and by product					
16.	Stock adjustment (Work in progress)					
17.	Cost of production					
18.	Stock adjustment (Finished products)					
19.	Net cost of production of unpacked finished goods					
20.	Less: Captive consumption					
21.	Packing cost					
22.	Less: Captive consumption in packed production					
23.	Net ex-works cost of packed products					
24.	Selling & Distribution exp					
	a. salaries and wages					
	b. Freight and transport charges					
	c. Commission to selling agents					
	d. Advertisement expenses					
	e. Godown warehouse charges					
	f. Others					
	g. Total (a to f)					
25.	Cost of sales					
26.	Interest					
27.	Other exp/income not included in costs (details to be given)					
28.	Total cost excluding excise duty					
29.	Total sales realization excluding excise duty					
	Add: export benefits and incentives, if any					
30.	Margin (29-28)					

Notes:

1. If, in addition to Formulations of one system of medicine, formulations of other system of medicine like allopathic, ayurvedic, homeopathic etc., are produced/ manufactured, additional columns similar to column 5 of the proforma shall be opened in respect of each such system of medicine.
2. All items of income and expenditure in this proforma shall be recorded with the financial accounts for the relevant period.

Footnote

The principal rules were published vide GSR 452, dated 22-04-1988 and subsequently amended vide

1. GSR 571, dated 22nd July 1989
2. GSR 331(E), dated 24th March 1993
3. GSR 455(E), dated 3rd August 1998