

## NOTIFICATION

**Ministry of Industrial  
Development & Company Affairs**  
(Department of Company Affairs)

**COST ACCOUNTING RECORDS (TYRES & TUBES) RULES, 1967**  
**New Delhi 10<sup>th</sup> August 1967**

G.S.R.1260: - 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**

- (a) These rules may be called the Cost Accounting Records (Tyres and Tubes) Amendment Rules, 1999.
- (b) They shall come into force on the 28<sup>th</sup> day of July 1999.

**2. Application**

They shall apply to every company engaged in the production or manufacture of rubber tyres and tubes or both for all types of vehicles.

[Except those companies falling under the category of small scale industrial units:]

**Explanation:**

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

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

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

**3. Maintenance of Records:-**

(1)Every company to which these rules apply shall in respect of each of its accounting years commencing on or after the 1<sup>st</sup> day of October, 1967,[till the 31<sup>st</sup> day of March,2000]<sup>2</sup> keep at its registered office or at any other place in India as the Board of Directors of the company may decide in this behalf, proper books of account containing *inter alia* the particulars specified in Schedule I and II annexed to these rules relating to utilization of material, labour and other items of cost, as far as they are applicable thereto.

(2)Such books of account shall be kept so as to make possible the calculation of the cost of production of various types and sizes of tyres and tubes manufactured during the financial year of the company (hereinafter, in these rules, referred to as the relevant period) from the particulars entered therein.

{ (3) Every company to which these rules apply shall, in respect of each of its financial year commencing on or after the 1st day of April, 2000 keep proper books of account containing, inter-alia, the particulars specified in Schedule III annexed to these rules and Proforme A, B, and C mentioned in the said Schedule relating to the utilization of materials, labour and other items of cost in so far as they are related to the manufacture or production of Tyres and Tubes:

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

(4) The books of accounts referred to in sub-rule (3) shall be kept on a regular basis in such a manner as to make it possible to calculate the cost of production and cost of sales of all types of Tyres and Tubes manufactured/produced for every financial year from the particulars entered therein and every such book of account and the proforma specified in the said Schedule III shall be completed not later than ninety days from the close of the financial year of the company to which they relate.

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

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

**4. Penalty:** - If a company contravenes the provisions of rule 3, the company and every officer of the company who is in default including persons referred to in sub-section (6) of Section 209, of the Companies Act, 1956 (1 of 1956) shall 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.

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<sup>1</sup>Inserted by GSR426(E) dated 3<sup>rd</sup> August, 1998.

<sup>2</sup>Inserted by GSR555(E) Dated 28<sup>th</sup> July 1999.

<sup>3</sup>Inserted by GSR555(E) dated 28<sup>th</sup> July 1999.

## **\*SCHEDULE I**

### **1. Rubber, Textile and Chemicals**

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

**1.2.** If the value of the rubber, textiles and chemicals consumed is determined on any basis other than actuals, the method adopted for such valuation as well as the method of reconciling such consumption with actuals and the method of dealing with variations, if any, shall be disclosed in the cost records or indicated by way of footnotes, explanatory notes or in other suitable manner.

### **2. WAGES AND SALARIES**

**2.1.** Proper and systematic records shall be maintained with respect to the attendance of workers and other operational staff indicating the departments in which, or the work on which, they were employed. Where payments to workers are made on piece-rate basis, the records relating thereto shall be so maintained as to enable assessment of the wages payable to such workers. Proper records shall also be maintained in respect of all payments made for overtime work. Where any payments for incentives are made, whether in the shape of production bonus or other forms of incentives based on out-put achieved by the workers individually or collectively, such payments shall be included as part of wages.

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

**2.3.** If the wages are allocated to the departments or units to the products manufactured in such departments or on any other basis than actual, the methods of reconciling such wages with actuals and the method of dealing with variation, if any, shall be disclosed in cost records or indicated by way of footnotes, explanatory notes or in other suitable manner.

### **3. Stores**

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

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\*Applicable upto 31<sup>st</sup> March, 2000 or close of relevant Financial year in 2000.

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

#### **4. Services**

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

**4.2.** Where power is purchased, the cost of power shall include the cost of unit of power consumed and fixed charges and duties, if any payable by the consumer. Where the company itself produces power, steam, water or compressed air, separate records shall be maintained to show in sufficient detail the different items making up the cost of power, water, steam, etc.

**4.3.** The records shall be so maintained as to enable the assessment of consumption of the services by the different departments or cost centers or manufacturing units. In case where the allocation to the various departments or cost centers or manufacturing units are made otherwise than at actuals, the basis adopted for such allocation shall be indicated.

**4.4.** If the company so desires, the cost of services allocated to different departments or cost centers or manufacturing units or products manufactured therein, may, instead of being shown separately in the proforma concerned, be included in the “manufacturing overheads” of the departments or cost centers or manufacturing units concerned and allocated to operations or jobs within the department as part of manufacturing overheads.

#### **5. Depreciation**

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

**5.2.** Depreciation chargeable to the different departments or manufacturing units or cost centers shall relate to the plant and machinery and other assets utilized in such departments or manufacturing units or cost centers and shall not be less than the amount of depreciation which may be worked out in accordance with the provisions of sub-section (2) of section 205 of the companies Act, 1956 (1 of 1956). The rates adopted shall be consistently applied from year to year. If the company so desires, depreciation allocated to the different departments or cost centers or manufacturing units or products manufactured therein may, instead of being shown separately in the relevant cost sheets, be included as part of manufacturing overheads of the departments or Cost Centres or manufacturing units concerned and allocated to products manufactured therein as part of manufacturing overheads.

## 6. Overheads

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

Selling overhead comprising of selling and distribution expenses pertaining to tyres and tubes may be shown in the statement of costs for the tyres or tubes concerned.

## 7. Work-in-progress

**7.1.** The value of work-in-progress, if any, in relation to the different types of rubber compounds, fabric and tyres and tubes in the process of manufacture at the end of the period for which the costs are made up, shall be calculated to represent the cost incurred up to relevant stage of manufacture and shall be shown in the relevant proforma in schedule II.

## 8. Cost Statement

**8.1.** *Cost of Rubber Compound:* the cost of rubber compound of different kind of specifications manufactured by the company shall be separately calculated and shown in proforma 'A' or in a proforma as near thereto as may be possible under the relevant items of cost. If the cost of such rubber compound is calculated otherwise than on the basis of actuals, the method by which such costs are calculated as well as method of reconciling such costs with actuals and the method of dealing with variations, if any, shall be disclosed in the cost records, or indicated by way of footnotes, explanatory notes or in other suitable manner.

**8.2.** *Cost of Fabrics:* The cost of different kinds of fabrics required for the various sizes and types of tyres shall be calculated separately and shown in proforma B or in a proforma as near thereto as may be possible under the relevant item of cost.

If cost of each of the different kinds of fabrics manufactured is determined otherwise than on the basis of actuals, the method by which such costs are calculated as well as methods of reconciling such costs with actuals and method of dealing with variations, if any, shall be disclosed in the cost records, or indicated by way of footnotes, explanatory notes or in other suitable manner.

**8.3.** *Cost of Tyres and Tubes:* The cost of different types of tyres and tubes manufactured by the company shall be calculated separately and shown in proforma C or in a proforma as near thereto as may be possible under the relevant item of cost. If the cost under the different items are determined otherwise than on the basis of actuals, the method by which such costs are calculated as well as method of reconciling such costs with actuals and the method of dealing with variations, if any, shall be disclosed in the cost records, or indicated by way of footnotes, explanatory notes or in other suitable manner.

## 9. Production Records

Quantitative records of all receipts, issues and balances of different items of tyres and tubes produced by the company shall be maintained. The values of all receipts, issues and balances may be kept in the form of control accounts for each product group provided, the value of the balances according to such control accounts are reconciled periodically, at least once a year with values of the quantities shown by the quantity account for each item of tyres and tubes.

#### **10. Reconciliation with Financial Books**

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

#### **11. Stock Verification Records**

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

#### **12. Statistical Data**

Adequate records containing information as to actual hours worked by individual items of plant or machinery, group thereof or department or units shall be maintained to show the hours worked, stoppage if any, and the reason therefore.

**PROFORMA 'A'**

**STATEMENT SHOWING THE COST OF RUBBER COMPOUND DURING THE PERIOD.....**

Type/Code.....

Quantity Manufactured.....

ITEMS	Current period				Previous period
	Qty Kgs.	Rates Rs.	Amount Rs.	Cost Per Kg.	Cost Per Kg.
<b>I RUBBER</b>					
1. Natural Rubber					
2. Synthetic Rubber					
<b>II Carbon Black</b>					
<b>III Chemicals</b>					
<b>IV Waste</b>					
<b>V NET TOTAL</b>					
<b>VI wages &amp; Salaries</b>					
<b>VII SERVICES</b>					
1. Power					
2. Steam					
3. Water					
4. Air					
<b>VIII Depreciation</b>					
<b>IX Other Manufacturing Overhead</b>					
<b>X Adjustment for Work-in-Progress</b>					
<b>TOTAL</b>					

**PROFORMA 'B'**

**STATEMENT SHOWING THE COST OF TREATED FABRIC  
MANUFACTURED**

During the period.....

Type/Specification.....

Description.....

Quantity Manufactured.....

ITEMS	Current period				Previous period
	Qty Kgs.	Rates Rs.	Amount Rs.	Cost Per Kg.	Cost Per Kg.
<b>I</b> Fabric					
<b>II</b> RUBBER COMPOUND					
1.....					
2.....					
3.....					
4.....					
5.....					
<b>III</b> Stores					
<b>IV</b> Waste					
<b>V</b> NET TOTAL					
<b>VI</b> Wages & Salaries					
<b>VII</b> <u>Services</u>					
1.Power					
2.Steam					
3.Water					
4.Air					
<b>VIII</b> .Depreciation					
<b>IX.</b> Other Manufacturing Overhead					
<b>X.</b> Adjustment for work-in-progress					
<b>TOTAL</b>					

**SCHEDULE II\***

Proforma A

.....Co. Ltd.  
Statement showing the cost of rubber compound  
During the period.....

Type/Code.....

Quantity Manufactured.....

ITEMS	Current Period				Previous Period
	Qty. Kgs.	Rate Rs.	Amount Rs.	Cost per Kg.	
I. Rubber: 1.Natural Rubber 2.Synthetic Rubber (Kinds and grades to be specified)					
II.Chemicals (Important items to be shown separately)					
III. Other Stores					
IV. Wages & Salaries					
V. Services: 1. Power 2. Steam 3. Water 4. Air					
VI. Depreciation					
VII.Other Manufacturing Overhead					
VIII.Adjustment for work-in-progress					
<b>TOTAL</b>					

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\*Applicable upto 31<sup>st</sup> March, 2000 or close of relevant Financial year in 2000.

Proforma 'B'

Statement showing the cost of treated fabric  
Manufactured During the period.....

Type/Specification.....  
Description.....  
Quantity Manufactured.....

ITEMS	Current period				Previous period
	Qty Kgs.	Rates Rs.	Amount Rs.	Cost Per Kg.	Cost Per Kg.
<b>I</b> Fabric					
<b>II</b> Rubber Compound (Types or code or other Specification to be specified)					
<b>III</b> Stores					
<b>IV</b> Wages & Salaries					
<b>V</b> <u>Services</u> 1.Power 2.Steam 3.Water 4.Air					
<b>VI.</b> Depreciation					
<b>VII</b> Other Manufacturing Overhead					
<b>VIII.</b> Adjustment for work-in-progress					
<b>TOTAL</b>					

**Proforma 'C'**

Statement showing the cost of Tyres/Tubes  
Manufactured During the period.....to.....

Type.....  
Size.....  
Description.....  
Quantity Manufactured.....

ITEMS OF EXPENDITURE	Current period				Previous period
	Qty Kgs.	Rates Rs.	Amount Rs.	Cost Per unit	Cost Per unit
<b>I Material</b>					
1. Rubber Compound (Types /code to be specified)					
2. Fabric					
3. Wire					
4. Other Stores					
<b>TOTAL I</b>					
<b>II. Cost of Making:</b>					
1. Wages & Salaries					
2. <u>Services</u>					
1.Power					
2.Steam					
3.Water					
4.Air					
3. Depreciation					
4. Mfg. Overhead					
<b>TOTAL II</b>					
<b>III. Cost Of Curing &amp; Finishing</b>					
1. Wages & Salaries					
2 .Services:					
Power					
Steam					
Water					
Air					
3.Provision for moulds					
4.Depreciation					
5.Mfg.Overhead					
<b>TOTAL III</b>					
<b>IV Admn.Overheads</b>					
<b>TOTAL I TO IV</b>					
<b>V. Adjustment for Work-in-Progress</b>					
<b>VI. Cost of Production (Ex-Works)</b>					

**Proforma D**

Statement showing the cost including Selling and Distribution expenses in respect of Rubber Tyres/ Tubes sold during the period.....

Description.....

Quantity Sold.....

SL. No.	Particulars	Total Amount	Cost per unit	
			Current Period	Previous Period
1.	Cost of Production (Ex-Works)			
2.	Selling & Distribution Overhead			
3.	Adjustment for difference between opening and closing stock of finished goods.			
4.	Total cost of goods sold			
5.	Average sales realization per unit			

• **SCHEDULE III**

[See rule 3(3)]

**1. MATERIALS:**

(1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of raw material such as natural rubber, synthetic rubber, various types of fabrics, beadwire, carbon and other materials including bought out components required for the production of each type of Tyres and Tubes. These records shall contain such details so as to enable the company to determine the quantity and cost of receipt (including all direct charges up to the works in respect of major raw material), issues and balances in quantity as well as value of each item of all such raw materials. 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, custom 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 allowable quantities, actual quantities imported, actual quantities consumed, quantities in stock and quantities yet to be imported out of total licensed quantities. Materials processed through outside parties shall be recorded separately.

(2) Proper records shall be maintained separately to assess the quantity manufactured and cost of production/manufacture of rubber compound/rubberized fabric.

(3) Proper records shall be maintained indicating the quantity and cost of by-product recovered in the different processes having significant value say five per cent or above of the cost of input 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 on a reasonable basis. 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. The net realization, if any shall be adjusted against the major process related to such by-product. The basis adopted for determining cost of the by-products shall be equitable and consistent. Records indicating the actual sales realization of by-products shall also be maintained.

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

(5) 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.

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

(7) Proper records shall be maintained showing the quantity and value of wastage, spoilage, rejections and losses of raw materials, 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. The records shall also be maintained to indicate the value of raw-materials and components, finished & semi-finished which have not moved for more than twelve months.

(8) Where any credit under Modified Value Added Tax (MODVAT) or any other benefit 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.

## **2. SALARIES AND WAGES:**

(1) Proper records shall be maintained to show the attendance and earnings of all employees of the cost centers/departments and the work on which they are employed. The records shall also indicate the following separately for each cost center/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;

(e) bonus or gratuity;

(f) any other earning.

(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 and C of Schedule III annexed to these rules. The records may be maintained to book these expenses cost center wise/department wise like component processing, making, assembling and finishing and should also specifically segregate with reference to activities like Rubber compound, Fabric preparation, Dipping, Spreading, Frictioning, Extrusion, Calendering, Bead-making, Moulding and finishing, etc. Where the employees work in such a manner that it is not possible to identify them with any cost center/department, the labour charges shall be apportioned to the cost centers/ departments on equitable basis and applied consistently.

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

(4) Any wages and salaries allocable, to capital works such as additions to plant and machinery, buildings or other fixed assets shall be accounted for under the relevant capital heads.

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

Detailed records shall be maintained to indicate expenses incurred in respect of each service department/cost center 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 Tyres and Tubes and to the other products shall be equitable and clearly indicated in the records and applied consistently.

## **4. UTILITIES:**

(1) Water:- Proper records showing the quantity and cost of treated/cooling water produced and consumed, if any, for the manufacture of any type of Tyres and Tubes in different cost centers or departments shall be

maintained. The cost of treated water apportioned to the cost centers/departments concerned shall be on a 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 Tyres and Tubes shall be maintained. The cost of steam consumed by the Tyres and Tubes plant and by other units of the company shall be calculated on a reasonable basis and applied consistently. Where steam is raised and supplied by any other unit of the company to the Tyres and Tubes plant, the cost of steam so supplied shall be charged to the Tyres and Tubes Plant on a reasonable basis and applied consistently.

(3) Power: -Proper records shall be maintained for the units and cost of power purchased for the production of Tyres and Tubes in different cost centers/departments. Where power is generated by the company itself, adequate records, showing all elements of cost shall be maintained to show the cost of power generated and consumed for the production of the Tyre and Tubes in different cost centers/departments. Records shall also indicate installed capacity, number of units generated, losses and consumption in each cost centers/departments separately. Where power is generated and supplied by any other unit of the company to the Tyres and Tubes plant adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power allocated to the production or manufacture of Tyres and Tubes shall be on a reasonable basis and applied consistently. The records should state clearly the measures taken on conservation of energy and its corresponding impact on unit cost of production.

(4) Fuel:- Proper records shall be maintained showing the quantity and price of the fuel utilized for the production of Tyres and Tubes other than the fuel used for generation of electricity i.e., coal, gas etc. If the fuel is utilized for other products also the manner of charging a share to such product shall be equitable and clearly indicated in records and applied consistently.

(5) Other Utilities:- Proper records showing quantity and cost shall be maintained in respect of utilities other than water, steam and power produced or purchased by the company for the production or manufacture of Tyres and Tubes.

## **5. WORKSHOP/REPAIRS AND MAINTENANCE/TOOL ROOMS:**

(1) Proper records showing the expenditure incurred by the workshop/tool room under different heads and on repairs and maintenance by the various cost centers/departments shall be maintained. The records shall also indicate the basis of charging the workshop/tool room expenses to different cost centers/departments. Where maintenance work is done by direct workers of any production cost center/department, the wages and salaries of such workers shall be treated as direct expenses of the respective cost center/department. If the services are utilized for other products also, the manner of charging a share to such products shall be equitable and clearly indicated in records and applied consistently. In addition to the above, records should indicate the amount and also the proportion of closing inventory of stores & spare parts representing items which have not moved for over 24 months.

(2) Expenditure on major repair works from which benefit is likely to accrue for more than one financial year shall be shown separately in the cost records indicating the method of accounting in determining the cost with reference to the period for which the benefit of such expenditure is likely to last.

## **6. DEPRECIATION:**

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

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

## **7. OTHER OVERHEADS:**

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

(2) Where the company is manufacturing products other than the Tyres and Tubes 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 Tyres and Tubes, including capital works. Where certain expenses forming part of overheads can be identified with a particular activity or a product, such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the residue expenses under the above categories of overheads shall be apportioned on a reasonable and equitable basis and applied consistently. Overheads chargeable to capital works shall be indicated separately in the cost records. Basis of apportionment or absorption of overheads to the cost centers/departments and products shall be indicated in the cost records.

(3) 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:**

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

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

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

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

(3) Expenses incurred by the Research and Development Department for providing technical know-how to outsiders shall be recorded separately and excluded from the cost of Tyres and Tubes. The amount recovered for providing technical know-how to outsiders shall also be indicated separately.

## **10. QUALITY CONTROL:**

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

## **11. INTEREST:**

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

## **12. EXPENSES/INCENTIVES ON EXPORTS:**

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

## **13. PACKING EXPENSES:**

(1) Proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred on packing for marketing of the tyres and tubes. Where such expenses are incurred in common for other products also, the basis of apportioning the expenses between the relevant products shall be clearly indicated in the cost records and applied consistently.

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

## **14. WORK IN PROGRESS AND FINISHED STOCK:**

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

## **15. COST STATEMENTS:**

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

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

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

## **16. PRODUCTION RECORDS:**

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

## **17. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS:**

(1) Cost statements shall be reconciled with the financial statements for the financial year specifically indicating the expenses/incomes not considered in the cost records/statements so as to ensure accuracy. Variations, if any, shall be clearly indicated and explained.

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

## **18. ADJUSTMENT OF COST VARIANCES:**

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

## **19. STATISTICAL RECORDS:**

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

(2) Adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for the production/manufacture of Tyres and Tubes and other products and other activities. Fresh investments on fixed assets that have not contributed to the production during the relevant period, shall be indicated in the cost records. The records shall, in addition, show assets added as replacement and those added for increasing existing capacity.

## **20. POLLUTION CONTROL:**

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

## **21. HUMAN RESOURCES DEVELOPMENT:**

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

## **22. INTER-COMPANY TRANSFER:**

(1) In respect of related party transactions or supplies made or services rendered by a company to its holding company or subsidiary or a company termed "related party relationship" as defined below and vice-a-versa, records shall be maintained showing contracts entered into, 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;. I

**(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."

## Proforma A

Name of the company\_\_\_\_\_

Name and address of the factory\_\_\_\_\_

Statement showing the cost of Rubber Compound produced/manufactured during the year/period

### A Quantitative Information :

		In	Metric Tonnes
SerialN umber	Particulars	Current Year	Previous Year
1.	Installed Capacity		
2.	Quantity Produced		
3.	Capacity Utilization		
4.	Quantity. captively consumed		
5.	Closing stock		
6.	Opening stock		

**B Financial Information:**

Serial Number	Particulars	Quantity	Rate (Rupees)	Amount (Rupees) (in lacs)	Per Tonnes	Metric (Rupees)
					Current Year	Previous Year
1.	Material cost (a)Natural Rubber (b)Synthetic Rubber (c)Reclaimed Rubber (d)Compound Ingredients (e)Chemicals (f)Others (g)Total (a to f)					
2.	Consumable Stores and spares					
3.	Direct Wages and Salaries					
4.	Utilities (a)Power (b)Steam					

	(c)Water (d)Fuel (e)Others (f)Total (a to e)					
5.	Depreciation					
6.	Manufacturing/ Factory Overheads					
7.	Stock Adjustment.(Work in Progress)					
8.	Total					

## Proforma B

Name of the company\_\_\_\_\_

Name and address of the factory\_\_\_\_\_

Statement showing the cost of Rubberized fabric produced/manufactured during the year/period

### A. Quantitative Information:

Serial Number		In	Metric Tonne
	Particulars	Current Year	Previous Year
1.	Installed Capacity		
2.	Quantity Produced		
3.	Capacity Utilization		
4.	Quantity. captively consumed		
5.	Closing stock		
6.	Opening stock		

### B. Financial Information:

Serial. Number	Particulars	Quantity	Rate (Rupees)	Amount (Rupees) (in lacs)	Per Tonnes Current Year	Metric (Rupees) Previous Year
1.	Material cost (a)Rubber compound (b)Cotton fabric (c)Nylon fabric (d)Rayon fabric (e)Chemicals (f)Others (g)Total(a to f)					

2.	Consumable Stores and spares					
3.	Direct Wages and Salaries					
4.	Utilities (a)Power (b)Steam (c)Water (d)Fuel (e)Others (f)Total (a to e)					
5.	Depreciation					
6.	Manufacturing/ Factory Over Heads					
7.	Stock Adjustment(Work in Progress)					
8.	Total					

## Proforma C

Name of the company\_\_\_\_\_

Name and address of the factory\_\_\_\_\_

Statement showing the summary cost of sales, sales realization and margin in respect of  
Tyres/Tubes produced or manufactured during the year/period

### A. Quantitative Information:

Serial Number	Particulars	In Numbers	
		Current Year	Previous Year
1.	Installed Capacity		
2.	Quantity Produced		
3.	Capacity Utilization		
4.	Quantity sold (a)Domestic (b)Export		
5.	Closing stock		
6.	Opening stock		

### B. Financial Information:

Serial Number	Particulars	Quantity	Rate	Amount	Per 100	units
			(Rupees)	(Rupees in lacs)	Current.Year (Rupees)	Previous.Year (Rupees)
1.	Material cost (item wise covering 80% of value) (a)Raw materials (b)Manufactured compounds/					

	fabric/beads (c)Bought out components (d)Others (e)Total(a to d)					
2.	Direct Wages and Salaries					
3.	Outside Job Charges					
4.	Utilities (a)Power (b)Steam (c)Water (d)Fuel (e)Others(spec ify major items) (f)Total(a to e)					
5.	Consumable Stores and spares					
6.	Depreciation					
7.	Repairs and Maintenance					
8.	Royalty					
9.	Research and Development					
10.	Quality control					

11.	Factory overhead					
12.	Administrative Overhead (a)Salaries and wages (b)Others (Please specify) (c) Total(a+b)					
13.	Total(1 to 12)					
14.	Stock adjustment (Work in Progress)					
15.	Less: Credits (from Scraps and by- Products)					
16.	Cost of Production					
17.	Stock adjustment (finished products)					
18.	Net cost of Production					
19.	Packing Cost					
20.	Selling and Distribution Expenses (a)Salaries and Wages (b)Freight and					

	Transport Charges (c)Commission to selling agents (d)Advertiseme nt Expenses (e)Others (f)Total(a to e)					
21.	Cost of Sales					
22.	Interest					
23.	Annual Bonus to employees  Minimum Statutory Bonus Other than Statutory Bonus					
24.	Statutory Gratuity including provisions					
25.	Total expenses excluding excise duty					
26.	Total sales realization excluding excise duty					
27.	Margin(26 – 25)					

Notes:-

1. Separate proforma shall be prepared for each type of description of product.

2. Separate proforma shall be prepared for the quantity sold within the country and the quantity exported. Expenses incurred on export and the incentive earned thereon shall be indicated in the proforma applicable for the quantity produced and exported."

(R.D.Joshi) Joint Secretary F.No.52/14/CAB-98

Note - The principal notification was published vide G.S.R. 1260 dated 10-8-1967 and the same was subsequently amended vide G.S.R. nos. and dates, namely:-

1. GSR No. 1192 dated 21-03-1968,
2. GSR No. 2012 dated 06-11-1968,
3. GSR No. 775 dated 03-06-1977,
4. GSR No. 1271 dated 10-10-1979,
5. GSR No. 16 dated 05-01-1983,
6. GSR No. 539 dated 22-07-1989,
7. GSR No. 299 E dated 24-03-1993,
8. GSR No. 426(E) dated 03-08-1998.