

COST ACCOUNTING RECORDS (CAUSTIC SODA) RULES, 1967

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COST ACCOUNTING RECORDS (CAUSTIC SODA) RULES, 1967

G.S.R. 1261, dated the 11th August, 1967 1.-In exercise of the powers conferred by sub-section (1) of Section 642, read with Cl. (d) of sub-section (1) of Sec. 209 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely :-

1. Short title and commencement :-

(a) Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values, of each item of raw material required for the production of Caustic Soda in any form. 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 foot-notes or separate explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently throughout the relevant period. The values shall include all direct charges up to works, such as, freight and insurance. Any wastage whether in storage, transit or for other reasons shall be shown separately and the method of dealing with such issues in the calculation of costs indicated in the cost records by way of foot-notes or explanatory notes or in other suitable manner.

(b) If the value of raw materials 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 foot-

notes, explanatory notes or in other suitable manner.

2 \Application

[. They shall apply to every company engaged in the production or manufacture of caustic soda in any form excepting those companies falling under the category of small scale industrial undertaking.

2 [Explanation.-For the purposes 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 sixty lakh rupees as on the last day of the preceding financial year and for this purpose the value of any machinery or plant shall be,-

(i) in the case of any machinery or plant owned by the company the cost thereof to the company, and

(ii) in the case of any machinery or plant held by the company on lease or by the purchase, the cost thereof as in the case of owner of such machinery or plant; and

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

1. Subs. by G.S.R. 540, dated 22nd July, 1989 (w.e.f. 5th August,1989).

2. Subs. by G.S.R. 300 (E), dated 24th March,1993 (w.e.f. 24th March,1993).

3. Maintenance of Records :-

Detailed and adequate records shall be maintained to show the receipts, issues and balances,both in quantities and values of various items of chemicals, stores and spare parts required for the production of Caustic Soda. 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 balance 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 store. The value of stores and spare parts consumed shall be charged to the relevant heads 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 centres and to products manufactured therein,if any. Similarly stores issued for capital works, such as, addition 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 the calculation of costs shall also be indicated in the cost records, or in foot-notes, explanatory notes or in other suitable manner.

4 \Penalty

. -If a company contravenes the provisions of rule 3, the company and every officer of the company who is in default other than the persons referred to in sub- section (6) of Sec. 209 of the Companies

Act, 1956 (1 of 1956)¹ [shall, subject to the provisions of Sec. 209 of the Companies Act, 1956 (1 of 1956) 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 during which such contravention continues.

1. Subs. by G.S.R. 773, dated 3rd June, 1977 (w.e.f. 25th June, 1977).

SCHEDULE 1

1

1. Raw Materials :-

(a) Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values, of each item of raw material required for the production of Caustic Soda in any form. 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 foot-notes or separate explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently throughout the relevant period. The values shall include all direct charges up to works, such as, freight and insurance. Any wastage whether in storage, transit or for other reasons shall be shown separately and the method of dealing with such issues in the calculation of costs indicated in the cost records by way of foot-notes or explanatory notes or in other suitable manner.

(b) If the value of raw materials 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 foot-notes, explanatory notes or in other suitable manner.

2. Wages and Salaries :-

(a) Proper and systematic records shall be maintained with respect to the attendance of workers and other operational staff, indicating the department in which and 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 wages payable to such workers. Proper records shall also be maintained in respect of all payments made for overtime work. Where any payments for incentive are made, whether in the shape of production bonus or other forms of incentives based output achieved by workers individually or collectively, such payments shall be included as part of wages.

(b) The records shall further show separately the cost of all wages and salaries relating to various manufacturing departments or units or cost centres in the factory being the amounts payable and allocated to the different departments or units or cost centres and to the products manufactured therein. Any wages and salaries being expenditure on additions to plant, machinery or other assets shall be allocated to the relevant capital

(c) If the wages are allocated to the departments or units or to cost centres or to the products manufactured in such departments or units or cost centres on any basis other than actuals, the method of reconciling such wages with actuals and the method of dealing with variations, if any, shall be disclosed in the cost records or indicated by way of foot- notes, explanatory notes, or in other suitable manner,

3. Stores and Spare Parts :-

Detailed and adequate records shall be maintained to show the receipts, issues and balances, both in quantities and values of various items of chemicals, stores and spare parts required for the production of Caustic Soda. 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 balance 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 store. The value of stores and spare parts consumed shall be charged to the relevant heads 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 centres and to products manufactured therein, if any. Similarly stores issued for capital works, such as, addition 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 the calculation of costs shall also be indicated in the cost records, or in foot-notes, explanatory notes or in other suitable manner.

4. Services :-

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

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

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

(d) If the company so desires, the cost of power, fuel and other services allocated to the different departments or manufacturing units or cost centres may, instead of being shown separately in the proforma (E) concerned, be included in the manufacturing overheads of the department or manufacturing unit or cost centres concerned and allocated to operations or jobs within the department, etc., as part of manufacturing overhead.

5. Depreciation :-

(a) Proper and adequate records shall be maintained for assets in respect of which depreciation has to be provided for. These records shall inter alia indicate the cost

of each item of asset, 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.

(b) Depreciation chargeable to the different departments or units or cost centres shall relate to the plant and machinery and other assets utilised in such departments or units or cost centres 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 Sec. 205 of the Companies Act, 1956 (1 of 1956). The rates adopted shall be consistently applied from year to year.

(c) If the company so desires, depreciation allocated to the different departments or cost centres 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 department or manufacturing units or cost centres concerned and allocated to products manufactured therein as part of manufacturing overheads.

6. Overheads :-

(a) 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. Overheads relating to manufacturing, administration and selling and distribution activities shall be distinguished from each other. The method of allocating such overheads to the various departments or manufacturing units or cost centres and further the 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 overheads allocated to the various departments or manufacturing units or cost centres is determined on an estimated basis, the method by which such estimated overheads are reconciled with the actuals for the relevant period and the variations, if any, as well as the method of dealing with such variations between estimates and actuals shall be disclosed in the records.

(b) Selling overheads comprising selling and distribution overheads in respect of Caustic Soda in different forms, i.e.. Liquid Caustic Soda, Solid Caustic Soda or Caustic Soda Flakes shall be shown in the cost statement relating to the different products. In the case of common selling expenses, the basis on which such expenses has been allocated to the different products shall be shown in the cost records.

7. Cost Statements :-

(a) If the company manufactures for sale or for its own use Caustic Soda in any form, such as. Liquid Caustic Soda, Caustic Soda (Fused) and Caustic Soda (Flakes), the costs shall be shown separately for each kind in the proforma applicable thereto.

(b) Where more than one product arises from a process, the costs shall be allocated to the different products on some reasonable basis and shall be consistently applied during the relevant period. The basis on which such joint

costs are allocated to the different products arising from the process shall be indicated in the cost records. Where chlorine gas produced is not fully utilised either for production of other products or for sale, the sales value of the quantities actually utilised may, if the company so desires, be credited as a separate item in the proforma A as in the case of hydrogen instead of allocating a portion of joint costs to chlorine gas as provided in that proforma.

(c) The cost of material arising from a process which forms the raw material for a subsequent process shall be valued at cost of production upto the previous stage.

8. Work-in-Process :-

The value of work-in-process, if any, at the end of the period for when the costs are made up shall be calculated to represent the cost incurred up to the relevant stage of manufacture and shall be shown in the relevant proforma in Sch. II.

9. Production Records :-

Detailed and adequate records shall be maintained to indicate the quantities and value of all receipts', issues, and balances of Caustic Soda in different forms. The value of such items shall be based on the cost of production of the items concerned. The records shall be kept separately for the different concentration of Caustic Soda at which sold.

10. Reconciliation with Financial Books :-

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

11. Stock Verification Records :-

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

12. Statistical Data :-

Adequate records containing information as to actual hours worked by the plant in the different departments or manufacturing units or cost centres shall be maintained to show the hours worked, stoppages, if any, and the reasons therefor.

SCHEDULE 2

2

\ \ \ \ \PROFORMA A _____ Co. Ltd. \Statement showing the cost of Cell- Liquor manufactured during the period _____ Quantity Produced Quantity Sold Cell Liquor _____ Chlorine (Gas) _____ Hydrogen (Gas) _____											
\Qty Rate Amount Qty. Rate Amount \ \ \ \ \ Unit Rs. Rs. Unit Rs. Rs.											\ \
_____ 1. Works Cost 1. Raw Materials (To be specified.) 2. Wages and Salaries 3. Stores and Chemicals 4. Services (i) Power (ii) Fuel (iii) Electricity (iv) Water (v) Steam 5. Depreciation 6. Other manufacturing overheads 7. Administrative overheads 8. Adjustment for difference in opening and closing balances of Work-in- Process _____ Total Works Cost. Less : Recovery for Hydrogen sold or otherwise utilised. Net Works Cost _____ Allocation of Net Works Cost (i) Caustic Soda (Cell Liquor) (ii) Chlorine (Gas) _____											
\ \ \PROFORMA-B \Statement showing the cost of Liquid Caustic Soda manufactured during the											\ \ \

period _____ 19____ . Cell Liquor Quantity
 Processed _____ tonnes Liquid Quantity
 Produced _____ tonnes Caustic Soda Quantity
 Sold _____ tonnes Quantity transferred [for manufacturing
 of Caustic Soda (sold)]

Current Period	Previous Period	Qty.	Rate	Amount	Cost per tonne	Cost per tonne of Liquid Caus-	of Liquid

1. Works Cost 1.Cell Liquor 2.Wages and Salaries 3.Stores and Chemicals 4.Services (i) Power
 (ii) Fuel (iii) Electricity (iv) Water (v) Steam 5. Depreciation 6. Other manufacturing overheads 7.
 Administrative Overheads 8. Adjustment for difference in open- ing and closing balances of
 Works-in-Ptoess _____ Total Works Cost
 _____ II. Selling Overheads*
 _____ Total Cost \ \ \ \ \

\ \ \ \ PROFORMA C _____ Co. Ltd. \Statement showing the cost of Solid
 Caustic Soda manufactured during the period _____ 19____ . Liquid
 Caustic Soda \ \Quantity Processed _____ tonnes Solid
 Caustic Soda \ \Quantity Produced _____ tonnes \ \
 \Quantity Sold _____ tonnes Quantity transferred [for
 manufacturing of Caustic Soda Flakes)

Current Period	Previous Period	Amount of Solid Caus-	of Solid Caustic	Total

I.Works Cost 1. Liquid Caustic Soda 2. Wages and Salaries 3. Stores and Chemicals \ 4. Services
 \ \ (i) Power \ \ (ii) Fuel \ \ (iii) Electricity \ \ (iv) Water \ \ (v) Steam \ 5. Depreciation \ 6. Packing
 \ 7. Other Manufacturing Expenses \ 8. Admn. Overheads \ 9. Adjustment for difference in
 opening \ \ and closing balances of Work-in-Process \ \
 _____ \ \ Total Works Cost \
 _____ II. Selling Overheads*
 _____ Total Cost \ \ \ \ \

\ \ \ \ PROFORMA D \Statement showing the cost of Caustic Soda Flakes manufactured during
 the period _____ 19____ . Solid Caustic Soda \ \Quantity
 Processed _____ tonnes Caustic Soda Flakes \
 \Quantity Produced _____ tonnes \ \Quantity
 Sold _____ tonnes

Current Period	Previous Period	Amount of Caustic of Caustic Soda	Total Cost per

I.Works Cost 1. Solid Caustic Soda 2. Wages and Salaries 3. Stores and Chemicals 4. Services (i)
 Power (ii) Fuel (iii) Electricity (iv) Water (v) Steam 5. Depreciation 6. Packing 7. Other
 Manufacturing Overheads 8. Admn. Overheads 9. Adjustment for difference in opening and
 closing balances of Work-in-Process _____ Total
 Works Cost _____ II. Selling Overheads*
 _____ Total Cost