

COST ACCOUNTING RECORDS (CEMENT) RULES, 1966

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COST ACCOUNTING RECORDS (CEMENT) RULES, 1966

G.S.R. 1402, dated the 12th September, 1966 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 :-

[(1) Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values of each item of raw material required for manufacture of clinker or cement. The basis on which the value of the purchases and issues have been calculated shall be clearly indicated in the cost records maintained 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.

(2) Where some of the raw materials are raised from mines owned or leased by the companies or are produced or manufactured by them, separate records showing the cost of raising, producing or manufacturing such raw materials shall be maintained in such detail as may enable the company to fill up the necessary particulars in proforma A in Sch. II or in a proforma as near thereto as possible.

(3) Any wastage, whether in transit, storage or for other reasons shall be shown separately. The method of dealing with such losses in the calculation of costs shall be also indicated. In the cost records by way of foot-notes or explanatory notes or in other suitable manner].

2 \Application

[. .-They shall apply to every company engaged in the production, processing or manufacture of clinker or cement or both excepting those companies falling under the category of small scale industrial undertakings.

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 the 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 hire 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. 537, dated 22nd July, 1989 (w.e.f. 5th August, 1989).

2. Snbs. by G.S.R. 297 (E), dated 24th March 1993 (w.e.f. 24th

March, 1993).

3. Maintenance of Records :-

1[(1) Detailed and adequate records shall be maintained to show the receipts, issues and balances both in quantities and value, or various items of stores required in the manufacture of cement, such as, grinding media, items of spare parts and small tools. The value shown shall include all direct charges up to works such as freight and insurance.

(2) The value of the issues and balances of stores and spare parts may if the company so desires be recorded monthly or at such shorter intervals as the company decides, or kept in the form of central 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 quantity shown by the quantity accounts for such item of stores.

(3) The value of stores consumed shall be charged to 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 of manufacturing units and to jobs or operations therein. Similarly stores issued for capital works, such as, additions to plant, machinery or other assets shall also be separated and shown under relevant capital heads. Stores shall be valued on a reasonable basis, and consistently applied during the relevant period. The records shall also indicate the method of valuation adopted.

(4) 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 Section 209 **1** [shall, subject to the provisions 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. 722, dated 3rd June, 1977 (w.e.f. 25th June,

1977).

SCHEDULE 1

1

1. RAW MATERIALS :-

[(1) Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values of each item of raw material required for manufacture of clinker or cement. The basis on which the value of the purchases and issues have been calculated shall be clearly indicated in the cost records maintained 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.

(2) Where some of the raw materials are raised from mines owned or leased by the companies or are produced or manufactured by them, separate records showing the cost of raising, producing or manufacturing such raw materials shall be maintained in such detail as may enable the company to fill up the necessary particulars in proforma A in Sch. II or in a proforma as near thereto as possible.

(3) Any wastage, whether in transit, storage or for other reasons shall be shown separately. The method of dealing with such losses in the calculation of costs shall be also indicated. In the cost records by way of foot-notes or explanatory notes or in other suitable manner].

2. POWER AND FUEL :-

Detailed records shall be maintained in order to ascertain the cost of power and fuel. These records shall also show separately wastage in storage, transit or for other reasons wherever occurring. The value of power and fuel consumed shall be calculated on some reasonable basis consistently applied during the relevant period. Where power is purchased, the cost of power shall include the cost of units of power consumed and fixed charges and duties, if any, payable by the consumer. Where power is produced by the company itself, separate records shall be maintained to show in detail the different items making up the cost of power generated and distributed. The record shall be so maintained as to enable the assessment of consumption of power by the different departments

or manufacturing units.

3. STORES :-

1 [(1) Detailed and adequate records shall be maintained to show the receipts, issues and balances both in quantities and value, or various items of stores required in the manufacture of cement, such as, grinding media, items of spare parts and small tools. The value shown shall include all direct charges up to works such as freight and insurance.

(2) The value of the issues and balances of stores and spare parts may if the company so desires be recorded monthly or at such shorter intervals as the company decides, or kept in the form of central 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 quantity shown by the quantity accounts for such item of stores.

(3) The value of stores consumed shall be charged to 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 of manufacturing units and to jobs or operations therein. Similarly stores issued for capital works, such as, additions to plant, machinery or other assets shall also be separated and shown under relevant capital heads. Stores shall be valued on a reasonable basis, and consistently applied during the relevant period. The records shall also indicate the method of valuation adopted.

(4) 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,]

1. Subs. by G.S.R. 1245, dated 9th August, 1967.

4. WAGES AND SALARIES :-

Proper and systematic records shall be maintained for the attendance of workers and other operating staff. Where payments to workers are made on piece-rate basis the records kept thereof shall be so maintained as to enable assessment of wages payable to such workers. Proper records shall also be maintained in respect

of all payments made for over- time work. The records shall further show 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. Any idle time arising shall be recorded separately. The reasons for such idle time and the method of its treatment in calculating costs of products shall also be indicated in the records.

5. ROYALTY :-

Where the company itself produces any raw materials, the royalty payable shall be treated as part of the cost of the raw materials produced. In other cases if any royalty is payable, it may be treated as a part of the manufacturing overheads.

6. DEPRECIATION :-

Proper and adequate records shall be maintained for assets in respect of which depreciation has to be provided for. These records shall inter alia indicate the cost of each item of asset, the date of its acquisition, and the 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.

Depreciation chargeable to the different departments or units shall relate to the plant and machinery utilised in such departments or units and shall not be less than the amount of depreciation which may be worked out in accordance with the provisions of sub-section (2) of Sec. 205 of the Companies Act, 1956. The rates adopted shall be consistently applied from year to year. If the company so desires, instead of allocating and showing depreciation individually in the different cost statements for clinker, cement, etc., the total amount of depreciation relating to all the departments or manufacturing units of the factory may be shown in one lump sum in the cost statement relating to the manufacture of cement. Depreciation relating to production or manufacture of limestone and other raw materials, if any, shall however be shown in the respective cost statements.

7. OVERHEADS :-

Proper records showing the details of allocation of overhead expenses to the various departments or units 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 manufacturing and administrative overheads to the various departments or units shall be indicated in the records and shall be on a reasonable basis and consistently applied throughout the relevant period. If so desired, instead of allocating and showing administrative overheads individually in the different cost statements for clinker, cement, etc., the total amount of administrative overheads relating to all the departments or manufacturing units of the factory may be shown in one lump sum in the cost statement relating to the manufacture of cement.

8. CLINKER UTILISED FOR MANUFACTURE OF CEMENT :-

Detailed records shall be maintained to show the quantity and value of clinker produced and issued for the manufacture of cement. The clinker shall be valued on the basis of actual costs of production.

9. PACKING :-

Records showing the cost of naked cement packed, cost of gunny bags (old or new), paper bags and other materials used as well as labour and other expenses incurred shall be separately maintained to enable the cost of packed cement to be ascertained.

10. PRODUCTION RECORDS :-

Detailed and adequate records shall be maintained to indicate the quantities and value of all receipts, issues and balances of different items of raw materials produced, such as, limestone, process materials, such as, clinker and finished products, namely, cement produced by the company. Where the materials are not physically weighed but quantities thereof are estimated, the basis of such assessment shall be clearly mentioned. The value of these materials shall be based on the actual cost of production of the items concerned.

11. WORK-IN-PROGRESS :-

The quantities of work-in-progress, if any, such as, slurry in stock, shall be assessed on some reasonable basis. The value thereof may be estimated to represent the cost incurred up to the relevant stage of manufacture and shall be shown in the relevant proforma in Sch. II.

12. 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.

13. STOCK VERIFICATION RECORDS :-

Records of stock verification shall be maintained in respect of all raw materials and 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 record.

14. STATISTICAL DATA :-

Adequate records containing information as to actual hours worked by each manufacturing unit or department, such as, the crusher, raw mill, kiln, cement mill shall be maintained to show the hours worked, stoppages, if any, and the reasons therefor. Records shall also be maintained to show the production by each manufacturing unit or department producing raw materials, process materials, or finished products.

SCHEDULE 2

SCHEDULE