

COST ACCOUNTING RECORDS (COTTON TEXTILES) RULES, 1977

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SCHEDULE 2 :- SCHEDULE

COST ACCOUNTING RECORDS (COTTON TEXTILES) RULES, 1977

¹1. Published in the Gazette of India. Extraordinary. Pt. II. See. 3(1), dated 28th June. 1977. 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) Raw materials :

(i) Cotton and man-made fibres.-Proper records shall be maintained showing all the receipts, issues and balances, both in quantities and cost, of cotton, man-made fibres and filament yarn from man-made fibres used in the manufacture of cotton textile. Where cotton or man-made fibre or filament yarn made from man-made fibres is obtained from different sources including imports, records shall be maintained separately for imported and indigenous supplies, variety-wise in such a manner as to enable the company to determine the quantity and cost of receipts, (including all direct charges up to mills) issues, and balance of materials. The names and specifications used for different varieties of cotton/manmade fibre/filament yam from man-made fibre shall conform to the nomenclature and specifications as prescribed by the Textile Commissioner. The records shall indicate the actual quantity and value of each variety of cotton or other raw materials mentioned above, used in each mixing prepared for manufacturing different counts of yam.

(ii) Waste-

(1) Soft waste.-Proper records shall be maintained to show the quantity and realisable value of usable soft waste collected from each mixing in each cost centre of the Spinning Department, quantities reused in each mixing used in the waste plant, if there be any, sold out with the sales realisation thereof and the balance lying in stock.

(2) Hard waste.-Proper records shall be maintained to show the quantity and realisable value of hard waste collected, type-wise, such as, superfine, fine, medium coarse, etc., separately from spinning department and pre-weaving department, re-used in the waste plant, if any. sold out with the sales realisation thereof and the balance lying in stock. The quantity of this waste collected at regular intervals, say quarterly, during the relevant period shall be reconciled with such waste for which due credit is afforded to the respective production on technical basis/past performance/trial run during the said period. Any waste cotton purchased for use in the manufacture of yarn shall also be recorded properly regarding receipts, issues and balances both in quantity and value.

(iii) Yarn.-In case the company is purchasing yarn from outside

sources for use in the manufacture of cloth, proper records shall be maintained showing all the receipts, issues and balances, both in quantity and value. This record shall be kept count-wise, separately for carded and combed varieties.

(iv) In case the company purchases cloth in grey stage for processing, proper records shall be maintained showing the quantity and cost of such purchases, issues to processing and balance in stock, fabric-wise. Where the company receives cloth in grey stage for processing only, proper records shall be maintained showing the quantity of such receipts, issues to processing and balance in stock. The records of these raw materials shall be maintained in such a way as may enable the company to fill up the particulars in Annexures IV, V, V-A or VI, as the case may be, specified in this Schedule vis-a-vis cotton/man-made fibre/waste and in Proformae "E" and "L" of Sch. II for yarn and cloth respectively or in any form as near thereto as practicable.

(b) Sizing materials.-Proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost. of each items of sizing materials, such as, starch, maize, tallow, gum, etc.. used in the different types of sizing solution used for sizing the warp yarn. The cost shall include all direct charges up to the mills wherever specifically incurred. In case the issues are made as per "recipes" prepared in advance, a periodic reconciliation between the actual material consumption and that as per "recipes" shall be made both in quantity and value. Separate records shall be maintained in such detail as may enable the company to work out the cost of sizing materials required per kilogram of warp yarn sized. These records are to be maintained in such a way as may enable the company to fill up the sizing material cost in Proforma "E" specified in Sch. II or in a form as near thereto as practicable.

(c) Dyes and chemicals.-Proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost, of each item of dyes and chemicals .used for dyeing and printing the various yarn and/or cloth manufactured and processed. The cost shall include all direct charges up to the mills or processing house, wherever specifically incurred. The issues shall be properly identified with the cost centres, departments and ultimately with each sort of cloth processed as far as practicable. In case the company resorts to the recording of consumption of these materials as per "recipe" in respect of each fabric, a reconciliation between

the actual consumption and "recipe consumption" shall be made periodically and necessary adjustments for variations are to be indicated in the cost records. Separate records shall be maintained in such detail as may enable the company to work out the material cost of dyeing or printing each type of cloth processed so that such cost be filled up in Proforma "L" specified in Sch. II.

(d) Process materials/chemicals : Desizing, souring, scouring, bleaching, finishing, mercerising and other materials.-Proper records shall be maintained to show the receipts, issues and balances both in quantities and cost of each item of process materials/chemicals, such as desizing chemicals, bleaching chemicals, finishing chemicals, mercerising chemicals, tabulising chemicals, etc., used in the processing of cloth. The cost shall include all direct charges up to the mills or processing house wherever specifically incurred. The issues shall be properly identified with the cost centres, departments and products manufactured. Separate records shall be maintained in such detail as may enable the company to work out process material/chemical cost in each of the processing cost centres/departments, and to fill in relevant details in Proformae "G" "H", "I" and "J" specified in Sch, II. Where any of the dyes and chemicals and processing chemicals are produced by the company, separate records showing the cost of manufacture of such material indicating the break-up of raw materials consumed for the production and conversion cost shall be maintained in such detail as may enable the company to determine the actual cost of such materials produced.

(e) Recoveries of process materials and chemicals.-Proper records shall be maintained indicating the quantity of materials or chemicals recovered from different processes. In the case of certain materials or chemical thus recovered which cannot be re-used in the process due to lower concentration and are sold. the realisations from such sales shall be recorded and adjusted against the cost of consumption of the respective materials or chemicals, if practicable, or otherwise adjusted against the processes concerned on a reasonable basis. In case further processing is necessary to make these materials or chemicals usable or saleable, as the case may be. adequate records of cost involved for such further processing shall be maintained. If such further processing is done by any outside agency, records to show the quantity sent for processing, quantity processed and the cost involved thereon shall be maintained in detail.

(f) Consumable stores, small tools, machinery spares.-

(i) Proper records shall be maintained to show the receipts, issues and balances both in quantities and cost of each item of consumable stores, small tools, machinery spares, bobbins, pirns, shuttles, rollers, etc. The cost shown, shall include all direct charges up to the mills or procesing house wherever specifically incurred.

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

(iii) The cost of issues of consumable stores, small tools and machinery spares, shall be charged to the relevant heads of account, such as, production, repairs to plant and machinery and repairs to buildings. Materials consumed on capital works, such as. additions to buildings, plant and machinery and other assets shall be shown under the relevant capital heads.

(iv) Proper records shall be maintained to show the quantity and cost of items which are not forming part of the machinery and replaced as and when necessary, such as, bobbins of all sizes, pirns, winding cones, cheeses, reels, silver drums, rollers in frames, shuttles, etc., lying in the shop floor at the end of the relevant year inorder to enable the company to arrive at the actual consumption of such items during the relevant year. The method followed for charging the cost of the above items and adjusting the income, if any, derived from the disposal of any of the above items discarded in the cost of the products manufactured shall be indicated in the cost records.

(v) Sales realisation of old and discarded stores materials, scrap, etc. shall be identified wherever possible with the respective cost centres and credit given accordingly, otherwise it shall be deducted from the common mill overheads.

(g) Wastages, spoilages, rejections, losses, etc., of materials.-

(i) Proper records shall be maintained showing the quantity and cost of wastages, spoilages, rejections and losses of raw materials, dyes and chemicals, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, manufacture or for any other reason. The method followed for adjusting the above losses as well as the income derived from the disposal of rejected and waste materials including spoilages, if any,

in determining the cost of products shall be indicated in the cost records.

(ii) In the case of cotton and man-made fibre, records of wastage, spoilage and losses shall be maintained in such a way as may enable the company to fill up the particulars, for working out the waste multipliers for each mixing at periodic intervals, in Annexure VII specified in this Schedule or in any form as near thereto as practicable.

(iii) Necessary records shall be maintained showing the quantity and realisable value of hard waste derived in different departments, re-used, sold out and balance in stock. Sufficient records to show the hard and soft waste used both in quantity and value in the waste recovery plant for the manufacture of yarn of very lower counts to be used in the manufacture of waste blankets shall be maintained. The method followed for adjusting the above wastage as well as the income derived from the sale of such waste in determining the cost of product shall be indicated in the cost records. The records shall be maintained in such a way as may enable the company to fill in the particulars in Annexure VIII(A) of this Schedule.

(iv) Necessary records shall be maintained showing the quantity and cost of wastage in cloth produced, due to spoilage, etc., in various departments and sold out as waste. The method followed for adjusting the above wastage as well as any income derived from the sale of such waste in determining the cost of the product shall be indicated in the cost records.

(v) Separate records shall be maintained for fents, rags, chindies, etc., arising out of finished fabrics, group-wise. Such grouping shall be as per the one adopted by central excise authorities. Such records shall enable the company in determining the incidence on this account in the cost of fabric and also to fill in such details in proforma E-I and L-I specified in Sch. II. The quantity of fents, rags, etc., formed in the case of each fabric may be determined on technical basis if actuals are not available. In such cases reconciliation of such waste accounted for in the production on technical basis and that' actually formed, group-wise, shall be made at regular intervals, say quarterly, within the relevant period..

2 \Application

[. .-These rules shall apply to every company engaged in the production, processing or manufacturing of any art silk cloth, cloth, cotton yarn or cotton cloth, processed yarn and processed cloth, man-made fibre yarn or man-made fibre cloth, silk yarn or silk cloth, wool, woollen yarn or woollen cloth. yarn or other textile products: Provided that these rules shall not apply to such of the abovesaid companies as falling under the category of small scale industrial undertakings.

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

(a) the aggregate value of the machinery and plant installed wherein does not exceed sixty lakhs 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 hire-purchase, the cost thereof as in the case of owner of such machinery or plant: and

(b) The aggregate value of 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. 29(E), dated 19th January, 1994 w.e.f. 19th January, 1994).

3. Definitions :-

Detailed records shall be maintained to indicate expenses incurred for each service cost centre or department. These expenses shall be apportioned to other service and production departments on an equitable basis and applied consistently. ¹

4 \ Maintenance of records

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(1) Every company to which these rules apply shall, in respect of each of its financial year commencing on or after the 1st day of July, 1977, keep proper books of accounts containing, inter alia, the particulars specified in Schs. I and II annexed to these rules relating to utilisation of materials, labour and other items of cost in so far as these are applicable to the ' [textiles] manufactured by it : Provided that if the said company is manufacturing any other product or is engaged in any other activity in addition to the manufacture of ¹[textiles] the particulars relating to utilisation of

materials, labour and other items of cost in so far as they are applicable to such other product or ivity, shall not be included in relation to such ¹[textiles].

(2) The books of account referred to in sub-rule (1) shall be kept on a regular basis so as to make it possible to calculate the cost of production and cost of sale of the ¹ [textiles] at regular intervals, say 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 books of account and the proformae specified in Sch. II shall be completed within ninety days from the end of the financial year of the company to which they relate.

(3) It shall be the duty of every person referred to in sub-section (6) and sub-section (7) of Sec. 209 of the Companies Act, 1956 (1 of 1956), to take all reasonable steps to Section 209 of the said Act.

1. Subs. by G.S.R. 29(E), dated 19th January, 1994 (w.e.f. 19th January, 1994).

5. Penalty :-

(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 expenses to different cost centres, departments and units. Wherever maintenance work is done by direct workers of any production cost centre, the wages and salaries of such men shall be treated as other direct expenses of the respective cost centre. 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 of various products manufactured during the relevant period. Expenditure incurred on works of capital nature shall be capitalised. The cost of such jobs shall include the expenditure on materials, labour and due share of the overheads. The jobs carried out by the workshop attached to the spinning, weaving or processing departments, for other units of the company and vice-versa shall be charged on a reasonable basis and applied consistently.

(2) Design studio.-Proper records showing the expenditure incurred

by the design studio, if any, shall be maintained. The records shall also indicate the basis of charging the studio expenses to the different cost centres and departments in the printing section.

(3) Screen making, photo engraving, pentagraph, chromium plating and rotary-screen making.-Proper records showing the expenditure incurred by these departments shall be maintained. The records shall also indicate the basis of charging the expenses of these departments to the respective cost centres of the printing department and ultimately to the products. The basis so adopted shall be reasonable and applied consistently.

5 \Penalty

..-¹[If a company contravenes the provisions of rule 4], the company and every officer thereof, who is in default, including the ² [person referred to in sub-rule (3) of rule 4], 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 day during which such contravention continues.

1. Subs. by G.S.R. 1277, dated 10th September, 1979 (w.e.f. 20th October, 1979).

2. Subs. by G.S.R. 1277, dated 10th September, 1979 (w.e.f. 20th October, 1979).

SCHEDULE 1

1

1. Materials :-

(a) Raw materials :

(i) Cotton and man-made fibres.-Proper records shall be maintained showing all the receipts, issues and balances, both in quantities and cost, of cotton, man-made fibres and filament yarn from man-made fibres used in the manufacture of cotton textile. Where cotton or man-made fibre or filament yarn made from man-made fibres is obtained from different sources including imports, records shall be maintained separately for imported and indigenous supplies, variety-wise in such a manner as to enable the company to determine the quantity and cost of receipts, (including all direct charges up to mills) issues, and balance of materials. The names and specifications used for different varieties of cotton/manmade fibre/filament yam from man-made fibre shall conform to the nomenclature and specifications as prescribed by the Textile Commissioner. The records shall indicate the actual quantity and value of each variety of cotton or other raw materials mentioned

above, used in each mixing prepared for manufacturing different counts of yarn.

(ii) Waste-

(1) Soft waste.-Proper records shall be maintained to show the quantity and realisable value of usable soft waste collected from each mixing in each cost centre of the Spinning Department, quantities reused in each mixing used in the waste plant, if there be any, sold out with the sales realisation thereof and the balance lying in stock.

(2) Hard waste.-Proper records shall be maintained to show the quantity and realisable value of hard waste collected, type-wise, such as, superfine, fine, medium coarse, etc., separately from spinning department and pre-weaving department, re-used in the waste plant, if any. sold out with the sales realisation thereof and the balance lying in stock. The quantity of this waste collected at regular intervals, say quarterly, during the relevant period shall be reconciled with such waste for which due credit is afforded to the respective production on technical basis/past performance/trial run during the said period. Any waste cotton purchased for use in the manufacture of yarn shall also be recorded properly regarding receipts, issues and balances both in quantity and value.

(iii) Yarn.-In case the company is purchasing yarn from outside sources for use in the manufacture of cloth, proper records shall be maintained showing all the receipts, issues and balances, both in quantity and value. This record shall be kept count-wise, separately for carded and combed varieties.

(iv) In case the company purchases cloth in grey stage for processing, proper records shall be maintained showing the quantity and cost of such purchases, issues to processing and balance in stock, fabric-wise. Where the company receives cloth in grey stage for processing only, proper records shall be maintained showing the quantity of such receipts, issues to processing and balance in stock. The records of these raw materials shall be maintained in such a way as may enable the company to fill up the particulars in Annexures IV, V, V-A or VI, as the case may be, specified in this Schedule vis-a-vis cotton/man-made fibre/waste and in Proforma "E" and "L" of Sch. II for yarn and cloth respectively or in any form as near thereto as practicable.

(b) Sizing materials.-Proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost. of each items of sizing materials, such as, starch, maize, tallow, gum, etc.. used in the different types of sizing solution used for sizing the warp yarn. The cost shall include all direct charges up to the mills wherever specifically incurred. In case the issues are made as per "recipes" prepared in advance, a periodic reconciliation between the actual material consumption and that as per "recipes" shall be made both in quantity and value. Separate records shall be maintained in such detail as may enable the company to work out the cost of sizing materials required per kilogram of warp yarn sized. These records are to be maintained in such a way as may enable the company to fill up the sizing material cost in Proforma "E" specified in Sch. II or in a form as near thereto as practicable.

(c) Dyes and chemicals.-Proper records shall be maintained to show the receipts, issues and balances, both in quantities and cost, of each item of dyes and chemicals .used for dyeing and printing the various yarn and/or cloth manufactured and processed. The cost shall include all direct charges up to the mills or processing house, wherever specifically incurred. The issues shall be properly identified with the cost centres, departments and ultimately with each sort of cloth processed as far as practicable. In case the company resorts to the recording of consumption of these materials as per "recipe" in respect of each fabric, a reconciliation between the actual consumption and "recipe consumption" shall be made periodically and necessary adjustments for variations are to be indicated in the cost records. Separate records shall be maintained in such detail as may enable the company to work out the material cost of dyeing or printing each type of cloth processed so that such cost be filled up in Proforma "L" specified in Sch. II.

(d) Process materials/chemicals : Desizing, souring, scouring, bleaching, finishing, mercerising and other materials.-Proper records shall be maintained to show the receipts, issues and balances both in quantities and cost of each item of process materials/chemicals, such desizing chemicals, bleaching chemicals, finishing chemicals, mercerising chemicals, tabulising chemicals, etc., used in the processing of cloth. The cost shall include all direct charges up to the mills or processing house wherever specifically incurred. The issues shall be properly identified with the cost centres, departments and products manufactured. Separate records shall be maintained in such detail as may enable the company to

work out process material/chemical cost in each of the processing cost centres/departments, and to fill in relevant details in Proformae "G" "H", "I" and "J" specified in. Sch, II. Where any of the dyes and chemicals and processing chemicals are produced by the company, separate records showing the cost of manufacture of such material indicating the break-up of raw materials consumed for the production and conversion cost shall be maintained in such detail as may enable the company to determine the actual cost of such materials produced.

(e) Recoveries of process materials and chemicals.-Proper records shall be maintained indicating the quantity of materials or chemicals recovered from different processes. In the case of certain materials or chemical thus recovered which cannot be re- used in the process due to lower concentration and are sold. the realisations from such sales shall be recorded and adjusted against the cost of consumption of the respective materials or chemicals, if practicable, or otherwise adjusted against the processes concerned on a reasonable basis. In case further processing is necessary to make these materials or chemicals usable or saleable, as the case may be. adequate records of cost involved for such further processing shall be maintained. If such further processing is done by any outside agency, records to show the quantity sent for processing, quantity processed and the cost involved thereon shall be maintained in detail.

(f) Consumable stores, small tools, machinery spares.-

(i) Proper records shall be maintained to show the receipts, issues and balances both in quantities and cost of each item of consumable stores, small tools, machinery spares, bobbins, pirns, shuttles, rollers, etc. The cost shown, shall include all direct charges up to the mills or procesing house wherever specifically incurred.

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

(iii) The cost of issues of consumable stores, small tools and machinery spares, shall be charged to the relevant heads of account, such as, production, repairs to plant and machinery and repairs to buildings. Materials consumed on capital works, such as. additions to buildings, plant and machinery and other assets shall be shown under the relevant capital heads.

(iv) Proper records shall be maintained to show the quantity and cost of items which are not forming part of the machinery and replaced as and when necessary, such as, bobbins of all sizes, pirns, winding cones, cheeses, reels, silver drums, rollers in frames, shuttles, etc., lying in the shop floor at the end of the relevant year in order to enable the company to arrive at the actual consumption of such items during the relevant year. The method followed for charging the cost of the above items and adjusting the income, if any, derived from the disposal of any of the above items discarded in the cost of the products manufactured shall be indicated in the cost records.

(v) Sales realisation of old and discarded stores materials, scrap, etc. shall be identified wherever possible with the respective cost centres and credit given accordingly, otherwise it shall be deducted from the common mill overheads.

(g) Wastages, spoilages, rejections, losses, etc., of materials.-

(i) Proper records shall be maintained showing the quantity and cost of wastages, spoilages, rejections and losses of raw materials, dyes and chemicals, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, manufacture or for any other reason. The method followed for adjusting the above losses as well as the income derived from the disposal of rejected and waste materials including spoilages, if any, in determining the cost of products shall be indicated in the cost records.

(ii) In the case of cotton and man-made fibre, records of wastage, spoilage and losses shall be maintained in such a way as may enable the company to fill up the particulars, for working out the waste multipliers for each mixing at periodic intervals, in Annexure VII specified in this Schedule or in any form as near thereto as practicable.

(iii) Necessary records shall be maintained showing the quantity and realisable value of hard waste derived in different departments, re-used, sold out and balance in stock. Sufficient records to show the hard and soft waste used both in quantity and value in the waste recovery plant for the manufacture of yarn of very lower counts to be used in the manufacture of waste blankets shall be maintained. The method followed for adjusting the above wastage as well as the income derived from the sale of such waste in

determining the cost of product shall be indicated in the cost records. The records shall be maintained in such a way as may enable the company to fill in the particulars in Annexure VIII(A) of this Schedule.

(iv) Necessary records shall be maintained showing the quantity and cost of wastage in cloth produced, due to spoilage, etc., in various departments and sold out as waste. The method followed for adjusting the above wastage as well as any income derived from the sale of such waste in determining the cost of the product shall be indicated in the cost records.

(v) Separate records shall be maintained for fents, rags, chindies, etc., arising out of finished fabrics, group-wise. Such grouping shall be as per the one adopted by central excise authorities. Such records shall enable the company in determining the incidence on this account in the cost of fabric and also to fill in such details in proformae E-I and L-I specified in Sch. II. The quantity of fents, rags, etc., formed in the case of each fabric may be determined on technical basis if actuals are not available. In such cases reconciliation of such waste accounted for in the production on technical basis and that' actually formed, group-wise, shall be made at regular intervals, say quarterly, within the relevant period..

2. Salaries and Wages :-

(a) Proper records shall be maintained to show the attendance and earnings of all employees and the cost centres or departments and the work on which they are employed. The records shall also indicate separately :

(i) overtime wages earned;

(ii) piece-rate wages earned;

(iii) incentive wages earned, either individually or collectively, as production bonus or under any other scheme based on output;

(iv) earnings of casual labour engaged on casual work under classified headings.

(b) Idle time shall be separately recorded under classified headings indicating the reasons therefor. This data shall be maintained, as far as possible, cost centre-wise, otherwise for principal cost centres like ring frame, looms, bleaching, dyeing, printing, warehousing, etc. The method followed for accounting of idle time payments in

determining the cost of the products shall be disclosed in the cost records.

(c) Any wages and salaries allocable to capital works such as addition or heavy repair works to plant and machinery, buildings or other Fixed assets shall be accounted for under the relevant capital heads

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3. Service department expenses :-

Detailed records shall be maintained to indicate expenses incurred for each service cost centre or department. These expenses shall be apportioned to other service and production departments on an equitable basis and applied consistently.

4. Utilities :-

(1) Water.-Where water is treated or purified, proper records showing the quantity and cost of water treated and consumed in different cost centres-or departments for the manufacture of processed fabrics etc., shall be maintained in such detail as may enable the company to furnish the necessary particulars in Annexure I to this Schedule. The cost of treated water allocated to the 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 in various cost centres or departments for the manufacture of cotton textile products shall be maintained in such detail as may enable the company to furnish the necessary particulars in Annexure II to this Schedule. The cost of steam consumed by the cotton textile products and other products or other units of the company, if any, 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 textile unit, the cost of steam so supplied shall be charged to the textile unit on a reasonable basis and applied consistently.

(3) Power.-Adequate records shall be maintained for the quantity and cost of power purchased. If any expenses are incurred for distribution of the power thus purchased, proper records to show such expenses shall be maintained. Where power is generated by the company itself adequate records shall be maintained to show

the cost of power generated and consumed by the different cost centres, departments, etc., of the textile unit of the company, in such detail as may enable the company to furnish the necessary particulars in Annexure III to this Schedule. Where power is generated and supplied by any other unit of the company to the spinning/weaving/processing departments of the textile unit, adequate records shall be maintained to assess the quantity and cost of power so supplied. The rate charged by the supplying unit shall be on a reasonable basis. Necessary records shall be maintained to show the consumption of power by various cost centres or departments. The cost of power allocated to products shall be on a reasonable basis and applied consistently.

(4) Humidification.-Proper records shall be maintained to enable determination of the cost of humidification and its distribution to different cost centres and departments.

5. Workshop/repairs and maintenance :-

(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 expenses to different cost centres, departments and units. Wherever maintenance work is done by direct workers of any production cost centre, the wages and salaries of such men shall be treated as other direct expenses of the respective cost centre. 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 of various products manufactured during the relevant period. Expenditure incurred on works of capital nature shall be capitalised. The cost of such jobs shall include the expenditure on materials, labour and due share of the overheads. The jobs carried out by the workshop attached to the spinning, weaving or processing departments, for other units of the company and vice-versa shall be charged on a reasonable basis and applied consistently.

(2) Design studio.-Proper records showing the expenditure incurred by the design studio, if any, shall be maintained. The records shall also indicate the basis of charging the studio expenses to the different cost centres and departments in the printing section.

(3) Screen making, photo engraving, pentagraph, chromium plating and rotary-screen making.-Proper records showing the expenditure incurred by these departments shall be maintained. The records shall also indicate the basis of charging the expenses of these departments to the respective cost centres of the printing department and ultimately to the products. The basis so adopted shall be reasonable and applied consistently.

6. Depreciation : :-

(a) Proper records shall be maintained showing the cost and other particulars of fixed assets in respect of which depreciation is to be provided. These records shall, inter alia, indicate the cost of each item of assets including installation charges, if any, the date of its acquisition, the date of its installation and rate of depreciation. In respect of those assets, the original cost of acquisition of which cannot be ascertained without an unreasonable expenditure or delay, the valuation shown in the books on the first day of the financial year beginning on or after commencement of these rules shall be taken as the opening balance.

(b) The basis on which depreciation is calculated and allocated to (lie various cost centres and departments and to 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 Sec. 205 of the Companies Act, 1956 (1 of 1956), and shall relate to plant, machinery and other fixed assets in such cost centres and departments. In the case of assets or group of assets on which depreciation is written off at the rate of 100 per cent. in the relevant year. such depreciation shall be spread over the number of years during which benefit is derived from such assets or group of such assets. In case the amount of depreciation charged in the cost accounts in any financial year is higher than the amount of depreciation chargeable under the aforesaid provisions of the Companies 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 asset shall not, however, exceed the original cost of the respective asset. The cost of items like copper-rollers used for printing fabrics, stainless steel frames used for dyeing yarn and the like, put into use during the relevant year shall be treated as "deferred expenses" and spread over the effective life of such

items.

7. Overheads :-

Proper records shall be maintained showing the various items of expenses comprising the overheads. These expenses shall be analysed, classified and grouped into mills or processing house (works), administration and selling and distribution overheads. The methods followed for allocation of the above categories of overheads to the cost centres, departments and absorption by the products shall be indicated in the cost records. Where the company is engaged in the manufacture of any other products in addition to ¹ [textiles], the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to the cotton textile activity, other activities and capital works. In case any expense included in the above categories of overheads can be identified with a particular activity or product, such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the remaining common expenses under the above categories of overheads shall be allocated on a reasonable and equitable basis and applied consistently. The details of administrative, selling and distribution overheads and the amounts applicable to yarn, cloth and processed cloth shall be maintained in such a manner as to enable the company to fill up the particulars in the cost of production and cost of sale statements of each count of yarn/type of cloth and processed cloth (fabric-wise) in Profonae 'B' and 'C', 'E' and 'F', 'L' and 'M' specified in Sch. II respectively.

1. Subs. by G.S.R. 29(E), dated 19th January, 1994 (w.e.f. 19th January, 1994).

8. Expenses on export :-

Proper records showing the expenses incurred on the export item of cotton textiles, if any, shall be separately maintained so that the cost of export sales can be correctly determined for each type of the product exported. The expenses incurred on exports as well as any export incentives, such as, cash subsidy, drawback duty and benefit derived out of the import entitlement licence issued, etc., if any, shall be reflected separately in the cost of sales statements relating to export sales.

9. Packing :-

Proper records shall be maintained showing the quantity and the cost of various packing materials, such as, hessian cloth, polythene

paper, paper boards, packing boxes, mild steel wires, hoops and buckles used for different types of packing of yarn, cloth and processed cloth separately. In the absence of actual consumption of such materials for each type of packing, apportionment of material cost shall be made on the basis of quantity requirement as per standard specifications. In such cases, reconciliation of major material cost as per standards and that as per actuals shall be made periodically, say quarterly. Records shall also be maintained showing the other expenses incurred in respect of packing. Where expenses are of a general nature and cannot be identified directly with the types of packing, apportionment of such expenses to the different types of packing shall be on an equitable basis and the basis of such apportionment shall be clearly indicated in the cost records and applied consistently. The records shall be kept in such a manner as to enable the company to fill up the particulars in Proforma 'K' specified in Sch. II. Separate records for expenses incurred on special packings made for exports of yarn/cloth in grey stage processed cloth shall be maintained and exhibited in the relevant cost of sales statements for exports.

10. Research and development expenses :-

Proper records showing the details of expenses, if any, incurred by the company for research and development according to the nature of such research, namely, development of products, existing and new, processes of manufacture, existing and new, design and development of new plant facilities, market research for new products, etc., shall be maintained separately. The method of charging these expenses to the cost of products during any year shall be indicated in the cost records. Wherever the utility of such research extends over more than one financial year such expenses shall be treated as "deferred expenses" and charged to the cost of the products on some equitable basis which is to be followed consistently.

11. Yarn/cloth in grey stage for self-consumption :-

Proper records shall be maintained showing the quantity and cost of each item of yarn and cloth transferred to another department/unit of the company for self/consumption. The rates at which such transfers are effected shall be at cost.

12. Work-in-progress and finished goods stock :-

Adequate records shall be maintained showing the cost of work-in-progress in each productive cost centres of the spinning, weaving

and processing departments of the company. Proper records showing the opening stock, production, issues for further processing/sales and closing stock of all the finished product like yarn of various counts either carded or combed, cloth of various constructions and processed and finished cloth of various constructions, designs, etc., shall be maintained. The method followed for determining the cost of work-in-progress and finished goods stocks shall be indicated in the cost records so as to reveal the cost elements that have been taken into account in such computation. The method adopted shall be followed consistently.

13. Cost statements :-

(a) Separate cost statements showing conversion cost for each operation/process under spinning, weaving and processing shall be maintained in order to enable the company to fill in Proforma 'A', 'D', 'G', 'H', 'T' and J specified in Sch. II or in forms as near thereto as practicable.

(b) Cost statements shall be maintained in respect of different counts of yarn produced, carded or combed separately in Proforma 'B' specified in Sch. II. The cost of sales statements in respect of different counts of yarn sold, if any, shall be maintained in Proforma 'C' specified in Sch. II showing the actual cost of sales and the sales realisation thereof.

(c) Cost statements showing the cost of production shall be maintained in respect of different sorts of cloth in grey stage, manufactured by the company in Proforma 'E' specified in Sch. II. Cost statements shall be maintained in respect of each sort of cloth, construction-wise, in the said proforma. In case of sales of cloth in grey stage, the cost of sales statement showing the actual cost of sales of such cloth sold, construction-wise, shall be maintained in Proforma 'F' specified in Sch. II.

(d) Cost statements showing the cost of production in respect of all sorts of processed and finished cloth shall be maintained in Proforma 'L' specified in Sch. II. Cost statement shall be maintained in respect of each sort of cloth construction-wise in the said proforma. The cost of sales statements in respect of different sorts of processed cloth sold shall be maintained showing the actual cost of sales and sales realisation thereof in Proforma 'M' specified in Sch. II.

(e) In case it is not possible to make such data for all sorts the cost

of production and cost of sales of cloth in grey stage and processed cloth in Proformae 'E', 'F', 'L' and 'M', 'respectively', shall be maintained in respect of sorts which are predominantly produced and which forms 8 per cent. or more of the monthly production and represent all categories of cloth like sarees, dhoties, voils, etc., produced by the mill. This data, on an overall basis, shall cover not less than 75 per cent. of the total production/sales during the period. The same data regarding the rest of the sorts of cloth produced or sold shall be given in total in the above-said proformae. Overall reconciliation of production cost, cost of sales and sales realisation shall be made with financial accounts for the relevant period. Adequate records shall be maintained to enable the company to fill in the actual average sales realisation per unit for each sort covered in proformae 'F' and 'M'. However, the mill/company shall keep adequate records showing the quantity of production and sale of each sort in detail. In the case of controlled cloth, however, the cost data required shall be given for each sort in the said proformae.

(f) Export of yarn/cloth in grey stage/processed cloth shall be exhibited separately in the relevant cost statements and the same shall be excluded from the cost statements meant for sale in the internal market. Value of export incentives, if any, shall be shown in the respective cost of sales statements.

(g) The transfer of finished product which forms the raw materials for subsequent products shall be made at the cost of production of such finished products.

14. Production records :-

Quantitative records of all finished and packed production, issues for further processing, department-wise, issues for sales and balance in stock both packed and in pre-packed condition of (1) different counts and types of yarn (both grey and processed), (2) all sorts of cloth in grey stage, (3) all sorts of processed and finished cloth produced shall be maintained by the company. In the process department the production of different machines, count group-wise and variety-wise only need be kept. The cost of all finished and packed production may be kept in detail. Details of the quantity of cotton blankets produced, if any, from waste cotton shall also be kept in the cost records. Adequate records to show the production of yarn/cloth in grey stage/ processed cloth in various stages of production in the respective intermediary productive

departments shall also be maintained.

15. Reconciliation of cost and financial accounts :-

The cost records shall be reconciled preferably periodically with the financial books of account so as to ensure accuracy. Variation, if any, shall be clearly indicated and explained. The period for which such reconciliation is effected shall not exceed the period of the financial year of the company. The reconciliation shall be done in such a manner that the profitability of the products under reference can be correctly adjudged and reconciled with the overall profits of the company. A statement showing the total expenses incurred and income received by the company under different heads of accounts and the share applicable to cotton textile activity of the company shall be made in proforma 'N' specified in Sch. II giving therein the basis of allocation of the total expenses and income duly reconciled with the financial accounts for the period.

16. Adjustment of cost variances :-

Where the company maintaining cost records on any basis other than actuals, such as, standard costing, estimated cost, etc., the records shall indicate the procedures followed by the company in working out the cost of products under such system. The method followed for adjusting the cost variances for determining the actual cost of the products shall be clearly indicated in the cost records. The cost variances shall be shown against the relevant heads in the respective proforma of Sch. II. The reasons for the variances shall be detailed in the cost records.

17. Records of physical verification :-

Records of physical verification shall be maintained in respect of all items held in stock, such as, cotton, synthetic fibre, yarn, etc., dyes and chemicals, processing materials, machinery spares, fuels, finished goods, copper cylinders, printing screens, yarn dyeing spools, etc., and fixed assets. Reasons for 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.

18. Inter-company transactions :-

In respect of supplies made or services rendered by the company to its holding company or subsidiary or a company in the same management as defined in Sec. 370(1-B) of the Companies Act, 1956, or a company in which a director of the company is also a director 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, finished products (yarn/cloth in grey stage/processed cloth, etc.) process materials, chemicals, dyes and rejected goods including scrap, etc.

(b) utilisation of plant facilities.

(c) supply of utilities.

(d) administrative, technical, managerial and any other consultancy services. These records shall also indicate the basis followed for arriving at the rates charged between them so as to enable determination of the reasonableness of the rates charged or paid for such services.

19. Statistical records :-

Particulars of contracts entered into for purchase of cotton and sale of finished goods shall be maintained in detail indicating separately the percentage of commission, carrying cost, etc. Data regarding available and actually utilised spindle shifts/loom shifts/machine shifts in the spinning, weaving and processing departments, respectively, as well as related data in sub-production centres of such departments shall be maintained. The reasons for stoppages and under-utilisation under classified headings shall also be recorded. Records showing yield of yarn estimated and actually obtained from each type of mixing of cotton used for yarn production, production of yarn per spindle shift for each type of mixing for each type of frame used, production of different machines count group-wise and variety-wise in the processing departments, speed and efficiency of all the spindles/loom/other machines wherever necessary for calculation of cloth cost in each production cost centres, etc., shall also be kept. Records detailing the method of control exercised by the company in respect of efficiency in each productive department like spinning, weaving, processing, etc., losses, rejections, wastages in process shall also be maintained. Such records, as will enable the company to identify, as far as possible capital employed separately for yarn/cloth in grey stage/processed cloth, shall be kept. Fresh investments on fixed assets that have not contributed to the production during the relevant period shall also be indicated in the records. Detailed records showing the quantity and sale proceeds realised, for every variety of yarn/cloth in grey stage/processed

cloth sold during the relevant period shall be maintained, as to enable the company to determine the actual sales realisation per unit of the product sold. Statistical and other records maintained in compliance with the provisions of this Schedule and Sch. II 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 to provide the necessary data required by the cost auditor to suitably report on all the points referred to in the Cost Audit (Report) Rules, 1968. The data maintained in the cost records shall be reconciled with the various returns submitted to the Textile Commissioner and Central Excise authorities, under the various control orders and the notifications issued from time to time in respect of cotton, yarn and processed cloth.

SCHEDULE 2
SCHEDULE