

COST ACCOUNTING RECORDS (CYCLES) RULES, 1967

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COST ACCOUNTING RECORDS (CYCLES) RULES, 1967

G.S.R. 311, dated the 2nd March, 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 make the following rules, namely:

1. Short title and commencement :-

(a) Raw materials and components purchased Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values, of each item of raw material and components required for the manufacture of bicycles. The basis on which the value of the purchases and issues have been calculated shall be clearly indicated in the cost records of, 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 losses in cost indicated in the cost records by way of footnotes or explanatory notes or in some other suitable manner.

(b) Manufactured Components Where some of the components are manufactured by the company itself, separate records, showing the cost of manufacturing each such component or a group of components forming a sub-assembly such as frame, fork, handles, brakes, pedals, etc., in such details as may enable the company to fill up necessary particulars in Proforma 'A' of Schedule II or in a proforma as near thereto as may be possible shall be maintained. Records of quantities and values of manufactured components or group of components forming a sub-assembly shall be kept on the lines on which such records in the case of raw materials and purchased components are kept. The value of such components shall be based on the cost of manufacturing them. Any wastage, whether in storage, transit or for other reasons, shall be shown separately and the method of dealing with such losses in the calculation of costs indicated in the cost records by way of footnotes, explanatory notes or in some other suitable manner.

2 \Application

[. .-They shall apply to every company engaged in the production or manufacture of cycles and components thereof 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 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 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. 538, dated 22nd July, 1989 (w.e.f. 5th August, 1989.).
2. Subs. by G.S.R. 298 (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 value, of 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 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 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. The value of 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 manufacturing shall further be allocated to the different departments or 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 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 the 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 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. 772. dated 3rd June. 1977(w.e.f. 25th June. 1977).

SCHEDULE 1

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1. 1 :-

(a) Raw materials and components purchased Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values, of each item of raw material and components required for the manufacture of bicycles. The basis on which the value of the purchases and issues have been calculated shall be clearly indicated in the cost records of, 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 beshown separately and the method of dealing with such losses in cost indicated in the cost records by way of footnotes or explanatory notes or in some other suitable manner.

(b) Manufactured Components Where some of the components are manufactured by the company itself, separate records, showing the cost of manufacturing each such component or a group of components forming a sub-assembly such as frame, fork, handles, brakes, pedals, etc., in such details as may enable the company to fill up necessary particulars in Proforma 'A' of Schedule II or in a proforma as near thereto as may be possible shall be maintained. Records of quantities and values of manufactured components or group of components forming a sub-assembly shall be kept on the lines on which such records in the case of raw materials and purchased components are kept. The value of such components shall be based on the cost of manufacturing them. Any wastage, whether in storage, transit or for other reasons, shall be shown separately and the method of dealing with such losses in the calculation of costs indicated in the cost records by way of foot-notes, explanatory notes or in some other suitable manner.

2. Wages and Salaries :-

Proper and systematic records shall be maintained with respect to the attendance of workers and other operational staff, indicating the department or the work on which they were employed. Where

payments to workers are made on piece-rate basis, the records thereof shall be so maintained as to enable assessment of wages payable to such workers. Proper record 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 bonus or other form of incentives based on output achieved by the workers individually or collectively, such payments shall be included as part of wages. 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 jobs or operations therein. Any wages and salaries being expenditure on additions to plant, 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 costs of products shall also be indicated in the cost records, or in foot-notes, explanatory notes or in other suitable manner. If the wages are allocated to the departments or units, jobs or operations on any basis other than actuals, the method adopted in such allocation as well as 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 value, of 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 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 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. The value of 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 manufacturing shall further be allocated to the different departments or 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 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 :-

Detailed records shall be maintained to ascertain the cost of services, such as, power, fuel, water, electricity and steam produced and utilised in manufacturing operations. 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, 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. The records shall be so maintained as to enable the assessment of consumption of the services by the different departments or manufacturing units. In cases where the allocations to the various departments of manufacturing units are made otherwise than at actuals, the basis adopted for such allocation shall be indicated. if the company so desires, the cost of power, fuel and other services allocated to the different departments or manufacturing units may, instead of being shown separately in the proforma concerned, be included in the manufacturing overheads of the department or manufacturing unit concerned and allocated to operations or jobs within the department or manufacturing unit as part of manufacturing overheads.

5. 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 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 and other assets 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, depreciation allocated to the departments or manufacturing units may, instead of being shown separately in the relevant cost sheets, be included as part of manufacturing overheads of the department or manufacturing unit concerned and allocated to operations or job within the department or manufacturing unit as part of manufacturing overheads.

6. Overheads :-

Proper records showing the details of allocation of overhead expenses to the various departments or manufacturing 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 allotting such overheads to the various departments or manufacturing units and further to operations or jobs therein shall be clearly indicated in the records and shall be on a reasonable basis consistently applied throughout the relevant period. Where the amount of overheads allocated to the various departments or manufacturing units 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. Selling overheads comprising of selling and distribution expenses pertaining to complete bicycles sold may be shown in one lump sum in the summary statement of cost including selling and distribution expenses of bicycles sold. The share of selling and distribution expenses relating to components or sub-assemblies sold as spares, otherwise than as complete bicycles (assembled or otherwise) shall be shown separately in the cost records.

7. Cost Statements :-

The cost particulars shall be filled in proformas in Schedule II or in proformae as near thereto as possible. Where the company decides to calculate the costs of each component manufactured by it, separately, the costs of the components shall be shown in Proforma A and the cost of sub-assemblies like frame, frame fork, mudguard, pedals, in Proforma B. Where the cost of each component is not

calculated but the costs of only the sub-assemblies are calculated, such costs shall be shown in Proforma A and not in Proforma B.

8. Work-in-Progress :-

The value of work-in-progress, if any. in relation to the various components as well as sub-assemblies or final assembly, 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 the relevant state 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 the different components and sub-assemblies produced by the company. The value of such items shall be based on the cost of production of the items concerned. The value of the issues or balances may, if the company so desires, be recorded monthly or at such shorter intervals as the company decides.

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 all raw materials. components 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 each machine or group of machines in the different departments or manufacturing units shall be maintained to show the hours worked, stoppage, if any, and the reasons therefor.

SCHEDULE 2

2

[See rule 3] PROFORMA 'A' ----- Co. Ltd. Statement showing the cost of components/Sub-Assembly manufactured during the period- Name of Component. Quantity produced				
	Quantity	Rate	Total	Cost per Unit

			amount	-	---
				Current	Previous
				period	period
1. Raw Material					
(To be specified)					
*2. Bought out components					
3. Wages and Salaries					
4. Stores					
5. Services					
Power, Fuel, Electricity,					
Water, Steam, etc.					
6. Depreciation					
7. Other Mfg .Overheads .					
8. Admn. Overheads					
9. Adjustment for difference in					
opening and closing balanc-					
ces of work-in-progress (if					
any)				--	--
TOTAL					