

## **COST ACCOUNTING RECORDS (DRY CELL BATTERIES) RULES, 1978**

### CONTENTS

1. Short title and commencement
2. Application
3. Maintenance of records
4. Penalty

### **SCHEDULE 1 :- SCHEDULE**

1. Materials
2. Wages and Salaries
3. Service departments expenses
4. Utilities
5. Workshop repairs and maintenance
6. Depreciation
7. Overheads
- 7A. Interest
8. Expenses on export
9. Packing
10. Research and development expenses
11. Work-in-progress and finished goods stock
12. Cost Statements
13. Reconciliation of cost and financial accounts
14. Adjustment of cost variances
15. Records of physical verification
16. Inter-company transactions
17. Statistical records

### **SCHEDULE 2 :- SCHEDULE**

## **COST ACCOUNTING RECORDS (DRY CELL BATTERIES) RULES, 1978**

G.S.R.45(E), dated 31st January, 1979 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) Raw Materials.- (i) Proper records shall be maintained showing

all the receipts issues and balances both in quantities and cost of zinc, manganese ore, lead, electrolytic manganese dioxide, cadmium, acetylene black, carbon rods, printed metal sheets, heat shrinking PVC tubes and other materials purchased and used in the manufacture of dry cell batteries of different types and qualities. The cost of such raw materials shall include all direct charges incurred up to the works. Such records shall be maintained separately for purchases both from indigenous and imported sources.

(b) Manufactured components and ingredients.-

(i) Zinc Cans.-In the case of zinc cans manufactured by the company, separate records, shall be maintained showing the cost of manufacture of each size of zinc can in such details as may enable the company to fill up the necessary particulars in Proforma 'A' of Schedule II or in a proforma as near thereto as may be possible.

(ii) Other components and ingredients.-In the case of other components like carbon rods, brass, caps, metal jackets, paper covers, washers and ingredients like electrolytic manganese dioxide, electrolyte paste manufactured by the company the records shall be maintained showing the cost of manufacture of such items in Proforma B of Schedule II or in a proforma as near thereto as practicable. If, however the value of any such component constitutes less than 5 per cent. of the value of direct material cost including primary packing materials of any type of dry cell battery the detailed costing thereof shall not be necessary.

(iii) Records of quantities and costs of components and ingredients manufactured, accepted, rejected, consumed and balances shall be kept separately for each batch. The method of dealing with losses on account of rejection in the calculation of costs shall be indicated in the cost records.

(iv) If any of the manufactured components or process materials are sold to outsiders proper records of the quantity-cost of sales and value realised therefrom shall be recorded separately and also shown in the respective cost statements.

(c) Dies and punches.-In respect of dies and punches records shall be maintained showing the quantity and cost of receipts in the case of bought out items which shall include all direct charges incurred up to the works. In the case of own manufactured items adequate records shall be maintained showing the cost of dies and punches.

The method adopted for charging the cost of dies and punches in the cost of production shall be reasonable taking into account the life of the dies and punches. The same shall be indicated in the cost records and shall be applied consistently.

(d) Consumable stores, small tools, machinery spares, etc.-

(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 and machinery spares. The costs shown shall include all direct charge incurred upto the works wherever specifically incurred.

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

(iii) The cost of consumable stores; small tools and machinery spares issued, shall be charged to the relevant heads of account, such as, producti, repairs to plant and machinery and repairs to uildings. Materials consumed on capital work, such as, addition and to buildings, plant and machinery and other assets shall be shown under the relevant capital heads.

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

(i) Proper records shall be maintained showing the quantity and cost of wastages, spoilages, rejection and losses c" raw materials, own manufactured components and ingredients consumable stores, small tools and machinery spares, dies and punches whether in transit, storage, manufacture or for any other reasons. The method followed for the adjustments of the above losses shall be indicated in the cost records.

(ii) Proper records shall be maintained showing the quantity and cost of rejected batteries. Records for the income derived from the disposal of rejected and waste materials including scrap, if any, and the value of components recovered from rejected batteries and re-used in process, shall also be maintained separately and the method adopted for adjusting the aforesaid recoveries in the cost of production shall be indicated in the cost records.

## **2 \Application**

[. .-They shall apply to every company engaged in the production, processing or manufacture of any type of dry cell batteries 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. 563, dated 22nd July, 1989 (w.e.f. 5th August, 1989).

2. Subs. by G.S.R. 323 (E), dated 24th March, 1993 (w.e.f. 24th March, 1993).

### **3. Maintenance of records :-**

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

## **4 \Penalty**

..-If a company contravenes the provisions of rule 3 of these rules, the company and every officer thereof who is in default including the persons referred to in sub-rule (3) of rule 3, shall subject to the provisions of Section 209 of the Act 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 the contravention continues.

### SCHEDULE 1

#### SCHEDULE

### **1. Materials :-**

(a) Raw Materials.- (i) Proper records shall be maintained showing all the receipts issues and balances both in quantities and cost of zinc. manganese ore lead, electrolytic manganese dioxide, cadmium, acetylene black, carbon rods. printed metal sheets, heat

shrinking PVC tubes and other materials purchased and used in the manufacture of dry cell batteries of different types and qualities. The cost of such raw materials shall include all direct charges incurred upto the works. Such records shall be maintained separately for purchases both from indigenous and imported sources.

(b) Manufactured components and ingredients.-

(i) Zinc Cans.-In the case of zinc cans manufactured by the company, separate records, shall be maintained showing the cost of manufacture of each size of zinc can in such details as may enable the company to fill up the necessary particulars in Proforma 'A' of Schedule II or in a proforma as near thereto as may be possible.

(ii) Other components and ingredients.-In the case of other components like carbon rods, brass, caps, metal jackets, paper covers, washers and ingredients like electrolytic manganese dioxide, electrolyte paste manufactured by the company the records shall be maintained showing the cost of manufacture of such items in Proforma B of Schedule II or in a proforma as near thereto as practicable. If, however the value of any such component constitutes less than 5 per cent. of the value of direct material cost including primary packing materials of any type of dry cell battery the detailed costing thereof shall not be necessary.

(iii) Records of quantities and costs of components and ingredients manufactured, accepted, rejected, consumed and balances shall be kept separately for each batch. The method of dealing with losses on account of rejection in the calculation of costs shall be indicated in the cost records.

(iv) If any of the manufactured components or process materials are sold to outsiders proper records of the quantity-cost of sales and value realised therefrom shall be recorded separately and also shown in the respective cost statements.

(c) Dies and punches.-In respect of dies and punches records shall be maintained showing the quantity and cost of receipts in the case of bought out items which shall include all direct charges incurred upto the works. In the case of own manufactured items adequate records shall be maintained showing the cost of dies and punches. The method adopted for charging the cost of dies and punches in the cost of production shall be reasonable taking into account the life of the dies and punches. The same shall be indicated in the cost

records and shall be applied consistently.

(d) Consumable stores, small tools, machinery spares, etc.-

(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 and machinery spares. The costs shown shall include all direct charge incurred upto the works wherever specifically incurred.

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

(iii) The cost of consumable stores; small tools and machinery spares issued, shall be charged to the relevant heads of account, such as, producti, repairs to plant and machinery and repairs to uildings. Materials consumed on capital work, such as, addition and to buildings, plant and machinery and other assets shall be shown under the relevant capital heads.

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

(i) Proper records shall be maintained showing the quantity and cost of wastages, spoilages, rejection and losses c" raw materials, own manufactured components and ingredients consumable stores, small tools and machinery spares, dies and punches whether in transit, storage, manufacture or for any other reasons. The method followed for the adjustments of the above losses shall be indicated in the cost records.

(ii) Proper records shall be maintained showing the quantity and cost of rejected batteries. Records for the income derived from the disposal of rejected and waste materials including scrap, if any, and the value of components recovered from rejected batteries and re-used in process, shall also be maintained separately and the method adopted for adjusting the aforesaid recoveries in the cost of production shall be indicated in the cost records.

## **2. Wages and Salaries :-**

(a) Proper records shall be maintained to show the attendance and earnings of all employees in the cost centres and departments and the work in which they are employed. The records shall also indicate separately for each cost centre and department.

(i) Piece-rate wages earned:

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

(iii) overtime wages earned;

(iv) earnings of casual labour.

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

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

### **3. Service departments expenses :-**

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

### **4. Utilities :-**

(i) Power.-Adequate records shall be maintained for the quantity and cost of power purchased where power is generated by the company itself, adequate records shall be maintained to show the cost of power generated. The records shall also show the consumption of power by the various cost centres and departments. The cost of power allocated to the cost centres and further to the individual products shall be on a reasonable basis and applied consistently.

### **5. Workshop repairs and maintenance :-**

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 departments and cost centres. 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 its accounting in determining the cost of the various products manufactured during the relevant

period. Expenditure incurred on works of a capital nature shall be capitalised. The cost of such jobs shall include the expenditure on materials labour and a share of the over heads. The jobs carried out by the workshop of dry cell batteries unit for other units of the company and vice-versa shall be charged on a reasonable basis 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 asset including installation charges, if any, 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 the commencement of these rules shall be taken as the opening balance.

(b) The basis on which depreciation is calculated and allocated to the various departments and cost centres and to the products shall be clearly indicated in the records. Depreciation chargeable to the different departments and cost centres 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 utilised in such cost centres and departments. 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 and the incidence of such excess depreciation on the unit cost of production of the individual dry cell batteries manufactured 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 assets.

## **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 works, administration and selling and distribution overheads. The method followed for alteration/absorption of the above categories of overheads to the



departments/cost centres/products shall be indicated in the cost records. Where the company is engaged in the manufacture of any other products in addition to dry cell batteries, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to the dry cell batteries activity, other activities and capital works. The basis followed for apportionment of the overheads shall be equitable and consistent. In case any expenses included in the above categories of overheads can be indentified with a particular activity/product, such expenses shall be segregated and charged to the relevant activity/product at the first instance and there after the remaining common expenss under the above categories of overheads shall be apportioned on a reasonable and equitable basis and applied consistently.

**7A. Interest :-**

Proper records shall be maintained showing interest charges. The amount of interest shall be allocated to dry cell batteries and other activities on a reasonable and equitable basis which is to be followed consistently. The basis of such allocation shall be spelt out clearly in the costs. Basis for further apportionment of the share of interest for dry cell batteries to different types thereof shall also be reasonable and equitable and the same shall be followed consistently.

**8. Expenses on export :-**

Record showing the expenses incurred on export of dry batteries, if any, shall be separately maintained so that the cost of export sales can be determined correctly. The expenses incurred on exports, as well as any export incentives earned shall be reflected in the cost of sales statements relating to export sales.

**9. Packing :-**

Proper records shall be maintained showing the quantity and cost of various packing materials, such as, card board boxes, wooden boxes used for packing different types of dry cell batteries. If such packing material are manufactured by the company proper record showing the cost of production of such items shall also be maintained. Records shall also be maintained showing wages and other expenses incurred in respect of different types and sizes of packages adopted for marketing dry cell batteries. Where packing expenses are incurred in common, the basis of apportionment of such expenses amongst different types and sizes of dry cell

batteries shall be equitable and clearly indicated in the cost records and applied consistently. Separate records of special expenses incurred on a export packing in respect of different types and sizes of dry cell batteries, if any, 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 the research and development according to the nature of such research, viz. development of products, 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 be 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 products on some equitable basis which is to be followed consistently.

**11. Work-in-progress and finished goods stock :-**

The method followed for determining the cost of work in progress and finished goods stock shall be indicated in the cost records so as to relevant the cost elements that have been taken into account in such computation. The method adopted shall be followed consistently. Records showing the value of work in progress and the quantities and value of finished items shall be maintained in Proforma 'F' of Schedule II.

**12. Cost Statements :-**

(i) Cost statements showing the cost of production and cost of sales of different type and sizes of dry cell batteries shall be maintained in Proforma 'C' and 'D' respectively. Such cost statements shall be maintained for the production obtained under different methods of manufacture, if any, like partly manual or automatic lines. The cost statements shall also be maintained separately in respect of each size of dry cell batteries corresponding with international standards like IR-20.1R-14, IR-6 as well as for different types like paper clad, metal clad and cellulose acetate batteries, flat cells, layer cells and inert cells of different specifications. Such cost statements shall be maintained separately for different factories/units of the company.

(ii) Export of dry cell batteries shall be covered by separate cost statements under Proforma 'D' and the same shall be excluded

from the cost statements meant for sale in the internal market.

**13. 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 variations 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 product 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 and the share applicable to dry cell batteries shall be maintained in Proforma 'E' duly reconciled with the financial accounts.

**14. Adjustment of cost variances :-**

Where the company maintains cost records on any basis other than actuals, such as, standard costing, the records shall indicate the procedures followed by the company in working out the cost of the product under such a system. The method followed for adjusting the cost variances in determining the actual cost of the product shall be indicated clearly in the cost records. The cost variances shall be shown against the relevant heads in the respective proforma of Schedule IX. The variances in respect of materials shall inter alia be furnished separately for major materials, components and primary packing materials. Variance analysis shall be made periodically say quarterly. The reasons for the variances shall be detailed in the cost records.

**15. Records of physical verification :-**

Records of physical verification shall be maintained in respect of all items held in stock, such as, raw materials, process materials, packing materials, consumable stores, machinery spares, chemicals, fuels, finished goods 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.

**16. Inter-company transactions :-**

In respect of supplies made or services rendered by the company to its holding company or a subsidiary or a company in the same management as defined in Section 370 (1-B) of the Act 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, agreement or understandings reached, in respect of:-

(a) purchase and sale of raw materials and process materials, components rejected goods including scrap and fixed assets.

(b) utilisation of plant facilities;

(c) supply of utilities; and

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

**17. Statistical records :-**

Data, such as, melt loss of zinc and different types of wastages including rejections incurred in the manufacture of dollies, carbon rods and assembly of different types and sizes of dry cell batteries shall be maintained to enable control of process losses. Data regarding available machine hours/labour hours in the different production departments and assembly line and the machine hours/labour hours actually utilised shall also be maintained. Records as will enable the company to identify, (net fixed assets and working capital) the capital employed separately for dry cell batteries and other activities shall also be maintained. Fresh investments on fixed assets that have not contributed to the production during the relevant period shall be indicated in the records. The records shall in addition show assets added as replacement and that added for increasing existing capacity. Statistical and other records maintained in compliance with the provisions of this Schedule and Schedule 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 economics in costs and to provide the necessary data required by the cost auditor to suitably report on all the points referred to in Cost Audit (Report) Rules, 1968 as amended from time to time. Such records shall be reconciled with the returns submitted to the Excise Department and other authorities from time to time.

SCHEDULE 2

SCHEDULE