

## **COST ACCOUNTING RECORDS (ELECTRIC FANS) RULES, 1969**

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

## **COST ACCOUNTING RECORDS (ELECTRIC FANS) RULES, 1969**

G.S.R. 2298, dated the 15th September, 1969 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) Bought out materials.-

(i) Adequate records shall be maintained showing all receipts, issues and balances in quantities of each item of raw materials and components required for the manufacture of electric fans. In respect of raw materials and components, where only quantitative records are maintained, rate cards shall also be maintained. In the case of materials the value of which is not significant, the company,

may, if it so desires maintain such records for the main groups of materials.

(ii) The basis of valuation of raw materials and components shall be clearly indicated in the cost records, or, if so desired by the company, in a separate manual of procedure, if any, maintained by the company or by way of foot notes or explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently. The values shall include all direct charges upto works wherever specifically incurred and also sales tax as applicable.

(iii) Adequate records showing the consumption of materials for production shall be maintained. If the quantity and value of materials consumed are determined on any basis other than actuals, the methods adopted shall be mentioned in the cost records. The overall reconciliation of such values of materials with the actuals shall be made, at least once in a year, explaining the reasons for variations. The treatment of such variations in determining the cost of electric fans produced shall be indicated in the Cost records.

(b) Manufactured components.-

(i) In the case of major components manufactured by the company, adequate records shall be maintained showing either the actual or standard cost of materials, labour and overhead expenses.

(ii) Adequate physical controls shall be ensured of shop manufactured components and records showing the number of components produced shall be maintained. Physical verification of work in progress, including shop manufactured components lying on the shop floor, shall be carried out once in a year. A reconciliation of the quantity produced, including adjustment for opening and closing stock of major components, with the quantity required for production of electric fans during the period shall also be maintained.

(c) Consumable stores, tools, machinery spares, etc.-Adequate quantitative records shall be maintained showing all receipts, issues and balances of various consumable stores, tools, machinery spares, etc., required for the manufacture of electric fans. The value of the above items shall be kept individually or in the form of control accounts as the company desires. The consumption of consumable stores, tools, machinery spares, etc., shall be allocated to the different production and service

(d) Wastages, spoilages, rejections, etc., of materials.-Adequate records shall be maintained to assess the wastages, spoilages, rejections etc., of materials in the manufacture of electric fans in order to enable the company to exercise effective control on the consumption of materials. The method of dealing with such wastages, spoilages, rejections, etc., in the calculation of cost shall be indicated in the cost records. The method of accounting of the realized value of spoilages, rejections, scrap, etc., shall be indicated in the cost records.

## **2 \Application**

[. .-They shall apply to every company engaged in the manufacture of any type of electric fans 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. 545, dated 22nd July, 1989 (w.e.f. 5th August, 1989).

2. Subs. by G.S.R. 305 (E), dated 24th March, 1993 (w.e.f. 24th March, 1993).

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

Direct expenses of the service departments shall be allocated to the production departments on suitable basis. If the company so desires, the expenses of service departments applicable to products may be shown separately in the relevant proforma in Schedule II or may be included in the works overhead.

## 4 \ Penalty

. -If a company contravenes the provisions of rule 3, the company, and every officer thereof who is in default, including the persons referred to in sub-section (6) of Sec. 209 of the Companies Act, 1956 (1 of 1956),<sup>1</sup> [shall, subject to the provisions of Sec. 209 of the Companies Act, 1956(1 of 1956), be punishable] with fine which may extend to five hundred rupees and where the contravention is a continuing one with a further fine which may extend to fifty rupees for every day after the first during which such contravention continues.

1. Subs. by G.S.R. 785, dated 3rd June, 1977 (w.e.f. 25th June, 1977).

### SCHEDULE 1

1

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

(a) Bought out materials.-

(i) Adequate records shall be maintained showing all receipts, issues and balances in quantities of each item of raw materials and components required for the manufacture of electric fans. In respect of raw materials and components, where only quantitative records are maintained, rate cards shall also be maintained. In the case of materials the value of which is not significant, the company, may, if it so desires maintain such records for the main groups of materials.

(ii) The basis of valuation of raw materials and components shall be clearly indicated in the cost records, or, if so desired by the company, in a separate manual of procedure, if any, maintained by the company or by way of foot notes or explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently. The values shall include all direct charges upto works wherever specifically incurred and also sales tax as applicable.

(iii) Adequate records showing the consumption of materials for production shall be maintained. If the quantity and value of materials consumed are determined on any basis other than actuals, the methods adopted shall be mentioned in the cost records. The overall reconciliation of such values of materials with the actuals shall be made, at least once in a year, explaining the reasons for variations. The treatment of such variations in determining the cost of electric fans produced shall be indicated in the Cost records.

(b) Manufactured components.-

(i) In the case of major components manufactured by the company, adequate records shall be maintained showing either the actual or standard cost of materials, labour and overhead expenses.

(ii) Adequate physical controls shall be ensured of shop manufactured components and records showing the number of components produced shall be maintained. Physical verification of work in progress, including shop manufactured components lying on the shop floor, shall be carried out once in a year. A reconciliation of the quantity produced, including adjustment for opening and closing stock of major components, with the quantity required for production of electric fans during the period shall also be maintained.

(c) Consumable stores, tools, machinery spares, etc.-Adequate quantitative records shall be maintained showing all receipts, issues and balances of various consumable stores, tools, machinery spares, etc., required for the manufacture of electric fans. The value of the above items shall be kept individually or in the form of control accounts as the company desires. The consumption of consumable stores, tools, machinery spares, etc., shall be allocated to the different production and service

(d) Wastages, spoilages, rejections, etc., of materials.-Adequate records shall be maintained to assess the wastages, spoilages, rejections etc., of materials in the manufacture of electric fans in order to enable the company to exercise effective control on the consumption of materials. The method of dealing with such wastages, spoilages, rejections, etc., in the calculation of cost shall be indicated in the cost records. The method of accounting of the realized value of spoilages, rejections, scrap, etc., shall be indicated in the cost records.

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

(a) Proper and systematic records shall be maintained to show the attendance of workers and other operational staff indicating the departments or the work in which they are employed. Where payments to workers are made on piece-rate basis, the records relating thereto shall be maintained so as to enable the assessment of wages payable to such workers. Proper records shall also be maintained in respect of all payments made for overtime work. Where any incentive payments are made, whether in the shape of production bonus or other forms of incentive based on output

achieved by the workers, individually or collectively, proper records shall also be maintained for the assessment of such payments.

(b) The records shall further show separately the wages and salaries relating to the various manufacturing departments or units or cost centres being the amounts payable and allocated to the different departments or units or cost centres. Any wages and salaries being expenditure on additions to plant, machinery or other fixed assets shall be allocated to relevant capital heads in the accounts. Idle time significantly affecting production shall be recorded separately indicating reasons therefor. The method of its treatment in calculating the cost of electric fans produced shall also be indicated in the cost records by way of foot notes, explanatory notes or in any other suitable manner.

(c) If the wages and salaries are allocated to the departments or units or to cost centres on any basis other than actuals, the reconciliation of such wages with actuals and the treatment of variations, if any, in determining the cost of electric fans produced shall be disclosed in the cost records or indicated by way of foot notes, explanatory notes or in any other suitable manner.

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

Direct expenses of the service departments shall be allocated to the production departments on suitable basis. If the company so desires, the expenses of service departments applicable to products may be shown separately in the relevant proforma in Schedule II or may be included in the works overhead.

### **4. Depreciation :-**

(a) Adequate records shall be maintained showing the values and other particulars of fixed assets in respect of which depreciation has to be provided for. These records shall inter alia indicate the cost of each item of asset, the date of its acquisition and the rate of depreciation. In respect of old assets whose original cost of acquisition cannot be ascertained without an unreasonable expenditure or delay the valuation shown by the books at the commencement of the financial year beginning on or after the first day of January, 1970, shall be taken as the opening balance.

(b) Depreciation chargeable to different departments or units or cost centres shall not be less than the amount of depreciation which may be worked out in accordance with the provisions of sub-section (2) of Sec. 205 of the Companies Act, 1956 (1 of 1956) and shall

relate to the plant and machinery and other assets utilized in such departments or units or cost centres. The method once adopted shall be applied consistently.

#### **5. Overhead expenses :-**

Adequate records showing the amounts comprising the overhead expenses and the details of allocation of overhead expenses to the various departments or manufacturing units or cost centres shall be maintained after collecting the details of all such expenses from the financial accounts. Overheads relating to work, administration, selling and distribution shall be shown separately. Works overhead expenses shall include among other items indirect wages and salaries relating to works, indirect materials consumed, welfare expenses, repairs and maintenance expenses, etc. The method of allocating such expenses to the various departments or manufacturing units or cost centres shall be clearly indicated in the cost records and shall be applied on a consistent basis. Where the overhead expenses are recovered through the outputs from the various departments or manufacturing units or cost centres otherwise than at actuals, the method of reconciling such expenses with the actuals for the relevant period, the variations, if any, and its treatment in determining the cost of electric fans produced shall be disclosed in the cost records.

#### **6. Cost statements :-**

In respect of companies manufacturing any other products in addition to electric fans, the total expenses incurred by the company during the relevant period shall be allocated to activities relating to the production of electric fans, and other products and shall be compiled in Proforma 'A' of Schedule II. The basis of allocation of common expenses to the different activities shall be reasonable and applied consistently. Statements showing the cost of electric fans produced and sold shall be compiled separately in respect of each type and sweep of electric fan in Proformae 'B' and 'C' specified in Schedule II or in forms as near thereto as practicable. If Proformae 'B' and 'C' of Schedule II are compiled on any basis other than actuals, the method of reconciling the figures given in the proformae with the actuals may be indicated in the cost records.

#### **7. Work in progress and completed electric fans :-**

The value of work in progress and completed electric fans at the end of the period for which the costs are made up shall be

calculated to represent the cost of material, labour and overhead expenses. Statements showing the value of work in progress and quantities and value of completed electric fans in stock at the end of the relevant period shall be compiled in Proforma 'D' of Schedule II.

**8. Reconciliation with financial books :-**

The cost records shall be periodically reconciled with the financial books of account so as to ensure accuracy. In respect of companies manufacturing any other products in addition to electric fans, such reconciliation shall be effected by taking the total expenses applicable to the electric fans as shown in Proforma 'A' as the basis. All variations shall be clearly indicated and explained. Periods for which such reconciliations are effected shall not exceed the period of the financial year of the company.

**9. Stock verification records :-**

Records of stock verification shall be maintained in respect of raw materials, manufactured components in stock, bought out components, stores, etc. The method of dealing with discrepancies arising out of such verification shall also be indicated in the relevant records.

**10. Statistical statements and other records :-**

Statistical statements and other records shall be maintained in such a manner as to enable the company to comply with the requirements of this Schedule and Schedule II and to enable the Cost Auditor to report to the Company Law Board on all the points referred to in Cost Audit (Report) Rules, 1968.

SCHEDULE 2