

## **COST ACCOUNTING RECORDS (ELECTRICAL CABLES AND CONDUCTORS) RULES, 1984**

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

## **COST ACCOUNTING RECORDS (ELECTRICAL CABLES AND CONDUCTORS) RULES, 1984**

<sup>1</sup>1. Published in the Gazette of India, Pt. II, Sec. 3 (i), dated 21st July, 1984 (w.e.f. 21st July, 1984). In exercise of the powers conferred by sub-section (1) of Section 642 read with Cl. (a) of sub-section (1) of Sec. 209 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely,-

## **1. Short, title and commencement :-**

1.1. Direct Materials.-Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of aluminium, copper, lead, lead alloy, steel wire, steel tape, paper, hessian tape, PVC rubberised XLPE compound or PVC required in the manufacture of different types and sizes of electrical cables, conductors, wires and strips under each category listed under rule 2. These records for direct material shall contain such details as to enable the company to determine the quantity, cost of receipts (including all direct charges upto the works) issues and balances of materials separately for imported and indigenous supplies. In case of imported materials details of F.O.B. price, freight and insurance charges (CIF value), customs duty, port charges, inland freight charges paid shall be recorded separately. The basis on which the said quantities and costs of issues and consumption have been calculated shall be indicated in the cost records.

1.2 Process Materials.-Proper records shall be maintained to show the receipts, issues and balances, both in quantities and costs of each item of process materials. The costs of such process materials shall include all direct charges upto works. The issues and consumption shall be properly identified with the departments, cost ' centres and products manufactured.

1.3 Manufacture of Rods, Wires and Ingredients.-1.3.1.- Aluminium rods, copper rods and other rods.-In case of aluminium, copper and other rods manufactured by the company or got processed from outside agencies from ingots, bars or scrap, separate records shall be maintained showing the cost of manufacture, outside processing charges of each type of rod in such detail as may enable the company to fill up necessary particulars in Proformae A and B of Schedule II or in a form as near thereto as practicable. In case where the companies are processing rods for outside parties, proper records shall be maintained showing the quantity processed, time utilised, and processing charges realised from the outside parties.

1.3.2. Insulating materials.-In case of other insulating materials and chemicals like PVC compound, rubberised compound XLPE compound, polyethylene compound or any other compound, if manufactured by the company, separate records shall be maintained showing the cost of manufacture of each of such items in Annexure II to this schedule or in a form as near thereto as

practicable. If the above compounds are purchased, separate records shall be maintained showing all receipts, issues and balances both in quantity and value of each such compound manufactured or processed.

#### 1.4 Consumable Stores, Small Tools, Machinery Spares, Dies etc.-

1.4.1. 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 and dies. The costs shown shall include all direct charges upto the works.

1.4.2. In the case of consumable stores, small tools and machinery spares the cost of which are insignificant, the company may, if it is illegible maintain such records for the main groups of such items.

1.4.3 The costs of consumption of consumable stores, small tools, machinery spares and dies shall be charged to the relevant cost centres on the basis of actual issues. Materials consumed on capital works such as additions to buildings, plant and machinery and other assets shall be shown under relevant capital heads.

1.5 Wastages, spoilages, rejections, losses, etc. of materials.- 1.5.1 Proper records shall be maintained 'showing the quantity and value of wastages spoilages, rejections and melting losses of materials in manufacture, consumable stores, small tools and machinery spares and dies whether in transit, storage, manufacture or at any other stage. The reasons tor wastages, spoilages rejections and losses and method followed for the adjustment of the above losses shall be indicated in the cost records.

1.5.2 Proper records shall bemaintained showing the quantity of different kinds of scrap generated.

1.5.3 If any scrap is recycled, proper records in regard to quantity and reprocessing charges shall be maintained.

1.5.4. Records for the realisation derived from the disposal of scrap rejected and waste material and the value of rejected materials reused in process, shall be maintained separately and the method adopted for adjusting the aforesaid recoveries in the cost of production shall he indicated in the cost records.

## **2 \Application**

[. .-They shall apply to every company engaged in the production, processing or manufacture of electrical cables, conductors, wires and strips of any type in the

following categories, namely :-

- (a) Power cables (all types-namely, PILC, PVC, XLPE, etc.).
- (b) VIR/Rubber covered cables and flexibles wires of all type;
- (c) PVC insulated cables, flexible wires of all types including switch-board wires and cables.
- (d) Enamelled covered wires and strips.
- (e) Wire and strips covered with paper, glass, silk or any other type of insulating materials;
- (f) AAC/ACSR Conductors;
- (g) Telecommunication cables. <sup>2</sup> [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. 567. dated 22nd July, 1989 (w.e.f. 5th August, 1989).

2. Subs. by G.S.R. 327 (E), dated 24th March, 1993 (w.e.f. 24th March. 1993).

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

3.1 Detailed records shall be maintained to indicate expenses incurred for each service department or service cost centre including water supply, laboratory, welfare, transport and testing. These expenses shall be apportioned to other services and production departments on equitable basis and applied consistently.

3.2.1. Power.-Proper 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. Necessary records shall also be

maintained to show the consumption in different cost centres in accordance with Annexure III to this Schedule or in a form as near thereto as practicable. The cost of power allocated to the cost centres and further to individual products shall be on a reasonable basis and applied consistently.

3.2.2 Where power is generated and supplied by any other unit of the company for the manufacture of the products under reference, adequate records shall be maintained to assess the quantity and cost of power so supplied. The rate charged by that unit shall be on a reasonable basis and applied consistently. The cost of power allocated to production of electrical cables, conductors, wires and strips shall be on a reasonable basis and applied consistently.

## **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-rule (3) of rule 3, shall subject to the provision of Sec. 209 of the Companies Act, 1956 (1 of 1956), be punishable with fine which may extend to five hundred rupees and, where 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.

### SCHEDULE 1 SCHEDULE

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

1.1. Direct Materials.-Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of aluminium, copper, lead, lead alloy, steel wire, steel tape, paper, hessian tape, PVC rubberised XLPE compound or PVC required in the manufacture of different types and sizes of electrical cables, conductors, wires and strips under each category listed under rule 2. These records for direct material shall contain such details as to enable the company to determine the quantity, cost of receipts (including all direct charges upto the works) issues and balances of materials separately for imported and indigenous supplies. In case of imported materials details of F.O.B. price, freight and insurance charges (CIF value), customs duty, port charges, inland freight charges paid shall be recorded separately. The basis on which the said quantities and costs of issues and consumption have been calculated shall be indicated in the cost records.

1.2 Process Materials.-Proper records shall be maintained to show

the receipts, issues and balances, both in quantities and costs of each item of process materials. The costs of such process materials shall include all direct charges upto works. The issues and consumption shall be properly identified with the departments, cost ' centres and products manufactured.

1.3 Manufacture of Rods, Wires and Ingredients.-1.3.1.- Aluminium rods, copper rods and other rods.-In case of aluminium, copper and other rods manufactured by the company or got processed from outside agencies from ingots, bars or scrap, separate records shall be maintained showing the cost of manufacture, outside processing charges of each type of rod in such detail as may enable the company to fill up necessary particulars in Proformae A and B of Schedule II or in a form as near thereto as practicable. In case where the companies are processing rods for outside parties, proper records shall be maintained showing the quantity processed, time utilised, and processing charges realised from the outside parties.

1.3.2. Insulating materials.-In case of other insulating materials and chemicals like PVC compound, rubberised compound XLPE compound, polyethylene compound or any other compound, if manufactured by the company, separate records shall be maintained showing the cost of manufacture of each of such items in Annexure II to this schedule or in a form as near thereto as practicable. If the above compounds are purchased, separate records shall be maintained showing all receipts, issues and balances both in quantity and value of each such compound manufactured or processed.

1.4 Consumable Stores, Small Tools, Machinery Spares, Dies etc.-

1.4.1. 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 and dies. The costs shown shall include all direct charges upto the works.

1.4.2. In the case of consumable stores, small tools and machinery spares the cost of which are insignificant, the company may, if it is illegible maintain such records for the main groups of such items.

1.4.3 The costs of consumption of consumable stores, small tools, machinery spares and dies shall be charged to the relevant cost centres on the basis of actual issues. Materials consumed on capital works such as additions to buildings, plant and machinery and other assets shall be shown under relevant capital heads.

1.5 Wastages, spoilages, rejections, losses, etc. of materials.- 1.5.1 Proper records shall be maintained 'showing the quantity and value of wastages spoilages, rejections and melting losses of materials in manufacture, consumable stores, small tools and machinery spares and dies whether in transit, storage, manufacture or at any other stage. The reasons tor wastages, spoilages rejections and losses and method followed for the adjustment of the above losses shall be indicated in the cost records.

1.5.2 Proper records shall be maintained showing the quantity of different kinds of scrap generated.

1.5.3 If any scrap is recycled, proper records in regard to quantity and reprocessing charges shall be maintained.

1.5.4. Records for the realisation derived from the disposal of scrap rejected and waste material and the value of rejected materials reused in process, shall 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 :-**

2.1 Proper records shall be maintained to show the attendance and earnings of all employees in each cost centre and the work on which they are employed. The records shall also be indicated separately for each cost centre :-

(a) Piece-rate wages earned :

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

(c) Overtime wages earned:

(d) Earnings of casual labour.

2.2. Idle time shall be separately recorded under classified headings indicating the reasons therefor. The methods followed for accounting of idle time payments in determining the cost of the product shall be disclosed in the cost records.

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

## **3. Service Department Expenses :-**

3.1 Detailed records shall be maintained to indicate expenses incurred for each service department or service cost centre including water supply, laboratory, welfare, transport and testing. These expenses shall be apportioned to other services and production departments on equitable basis and applied consistently.

3.2.1. Power.-Proper 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. Necessary records shall also be maintained to show the consumption in different cost centres in accordance with Annexure III to this Schedule or in a form as near thereto as practicable. The cost of power allocated to the cost centres and further to individual products shall be on a reasonable basis and applied consistently.

3.2.2 Where power is generated and supplied by any other unit of the company for the manufacture of the products under reference, adequate records shall be maintained to assess the quantity and cost of power so supplied. The rate charged by that unit shall be on a reasonable basis and applied consistently. The cost of power allocated to production of electrical cables, conductors, wires and strips shall be on a reasonable basis and applied consistently.

#### **4. Workshop, repairs and maintenance :-**

4.1 Proper records showing the expenditure incurred by the workshop and in repairs and maintenance shops shall be maintained. The records shall also indicate the basis of charging these expenses to different departments and cost centres.

4.2 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 treatment in determining the cost of the various products manufactured during the relevant period.

4.3 Expenditure incurred on works of a capital nature shall be capitalised. The cost of such jobs shall include the expenditure on materials, labour and due share of the overhead's.

4.4 The jobs carried out by any other workshop of other units or for other units of the company and vice-versa shall be charged on a reasonable basis and applied consistently.



## **5. Depreciation :-**

5.1 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 installation and rate of depreciation and location of each asset. In respect of those assets, the original cost of acquisition of which cannot be ascertained without any 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 cost. Such a valuation shall exclude revaluation of any asset that had been done prior to the aforesaid date.

5.2 The basis on which depreciation is calculated and allocated apportioned to the various departments and cost centres and absorbed on 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 Companies Act, 1956 (1 of 1956) and shall relate to plant, machinery and other fixed assets utilised 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, otherwise than as provided for in Income-tax Act, 1961 and the rules made thereunder, such depreciation shall be spread over the number of years during which benefit is derived from such assets or group of 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 (1 of 1956) 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.

## **6. Royalty, Technical Know-how Fee :-**

Adequate records shall be maintained showing the royalty or other recurring or non-recurring payments made to collaborators or technology suppliers in terms of agreements entered into with them. Such records shall be kept separately in respect of each party. The basis of charging such amounts including one time

payments, to the products shall be indicated in the cost records.

## **7. Other Overheads :-**

7.1 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. In case any expenses included in the above categories of overheads can be identified with a particular activity or product, such expenses shall be segregated and charged to relevant activity or product at the first instance and thereafter the remaining common expenses under the above categories of overheads shall be apportioned on reasonable and equitable basis and applied consistently. The method followed for allocation or absorption of the above categories of overheads to the departments, cost centres or products shall be indicated in the cost records.

7.2 Where the company is engaged in the manufacture of any other products in addition to the products referred to in rule 2, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to the cables, conductors wires and strips activities, other activities and capital works. The basis followed for apportionment of overheads shall be reasonable, equitable and consistent. Basis of apportionment or absorption of overheads to the cost centres and products shall be indicated in the cost record's.

## **8. Conversion cost :-**

Proper records shall be maintained for splitting up of conversion cost (the cost of manufacture less direct material cost) into fixed and variable costs for filling the relevant proformae of Schedule II.

## **9. Interest :-**

Proper records shall be maintained showing interest charges. The amount of interest shall be allocated to electrical cables, conductors, wires, strips and other activities on a reasonable and equitable basis and followed consistently. The basis of such allocation shall be spelt out clearly in the cost records. Basis for further apportionment of the share of interest for cables conductors, wires and strips of different types thereof, shall also be reasonable and equitable and the same shall be followed consistently.

## **10. Expenses/Incentives on export :-**

10.1 Proper records showing the expenses incurred on export of electrical cables, conductors, wires and strips, if any, shall be separately maintained so that the cost of export sales can be determined correctly. The expenses incurred on export as well as any export incentive earned, shall be reflected in the cost of sales statements relating to export sales. Export incentives shall be treated as other income and reflected in the cost records as such.

## **11. Packing :-**

11.1 Proper records shall be maintained showing the quantity and cost of various packing materials such as wooden battens used for making drums and other packing materials used. If such packing materials are manufactured by the company, proper records showing the cost of production of such items shall be maintained in Annexure IV or as near thereto as practicable so as to enable the company to work out the cost of packing chargeable to each size/type of cable, conductor, wire or strip for such category as listed under rule 2.

11.2 Where packing expenses are incurred in common, (he basis of apportionment of such expenses amongst different types and sizes of cables, conductors, wires and strips shall be equitable and clearly indicated in the cost records and applied consistently.

11.3 Separate records of special expenses incurred on export packing in respect of different types and sizes of cables, conductors, wires and strips, if any, shall be main- method followed for determining the cost of work-in-progress for exports.

## **12. 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 reveal 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 goods shall be maintained in Proforma "F" of Schedule II.

## **13. Research and Development Expenses :-**

13.1 Proper records showing the details of expenses, if any, incurred by the company for the research and development for electrical cables, conductors, wires or strips according to the nature

of such research namely development of products, existing and designs and development of new plant facilities, market research for the existing and new products shall be maintained separately.

13.2 The method of charging these expenses to the cost of the products during any year shall be indicated in the cost records. Where 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 and followed consistently.

#### **14. Cost statements :-**

14.1 Separate cost statements showing the cost of production and cost of sales of each size and type of electrical cables, conductors, wires or strips under each category as listed under rule 2 shall be maintained in Proformae A to H of Schedule II. The cost statement shall also be maintained separately in respect of each size of electrical cables, conductors, wires or strips corresponding to different specifications.

14.2. In case it is not possible to compile such data for all sizes and types of electrical cables, conductors, wires or strips for each category listed under rule 2, the cost of production and cost of sales in Proformae A to H shall be maintained in respect of different sizes and types of electrical cables, conductors, wires or strips under each category as listed under rule 2 which are predominantly produced. This data on an overall basis shall cover not less than eighty per cent. of total value of production (quantity multiplied by average sale price) of the electrical cables, conductors, wires or strips produced under each category, provided that no item constituting not less than 5 per cent. of the production value is excluded for the purpose of maintaining Proformae A to H. The same data regarding the rest of categories of electrical cables, conductors, wires or strips produced shall be given in total in the above-said proformae for the purpose of reconciling total expenses as per Proforma 1. The company shall keep adequate records showing the cost of sales and sales realisation for each category in detail.

14.3 Export of cables shall be covered by separate cost statements under the relevant proforma and the same shall be excluded from the cost statement meant for sale in the internal market. Value of export incentives if any, shall be shown in the respective cost of

sales statement.

14.4 The transfer of finished products which forms the inputs for the manufacture of subsequent products shall be made at the cost of production of such finished products.

### **15. Reconciliation of Cost and Financial Accounts :-**

15.1 The cost records shall be reconciled periodically, say quarterly, with the financial, books of accounts as well as for the financial year as a whole so as to ensure accuracy. Variations, if any, shall be clearly indicated and explained. The reconciliation shall be done in such a manner that the profit of the product under reference can be correctly adjudged and reconciled with the overall profits of the company.

15.2 A statement showing the total expenses incurred and income received by the company under different heads of account and the share applicable to electrical cables, conductors, wires or strips shall be maintained in Proforma I of Schedule II and reconciled with the financial accounts for the period.

### **16. 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 procedure followed by the company in working out the cost of the product under such 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 proformae of Schedule II. The reasons for variances in respect of materials shall inter alia, be furnished separately for major materials. Variance analysis shall be made every three months. The reasons for the variances shall be detailed in the cost records.

### **17. 17 :-**

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 for surpluses arising out of such verifications and the method followed for adjusting the same in the cost of the produced shall be indicated in the records.

### **18. Inter-Company Transactions :-**

In respect of supplies made or services rendered by a company to its holding company or a subsidiary or a company under the same management as defined in Sec. 370 (1-B) of the Companies Act, 1956 (1 of 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 or agreements or understandings reached in respect of:

- (a) the 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 the determination of the reasonableness of the rates charged or paid for such services.

#### **19. Statistical Records :-**

19.1 Data regarding available machine hours/direct labour hours in different production departments and actually utilised shall also be maintained and shortfall suitably analysed. Suitable records for computation of idle time of machines shall be maintained.

19.2 Adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for each category of electrical cables, conductors, wires or strips as listed under rule 2 and other activities. 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.

SCHEDULE 2  
SCHEDULE