

COST ACCOUNTING RECORDS (FOOTWEAR) RULES, 1996

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COST ACCOUNTING RECORDS (FOOTWEAR) RULES, 1996

G.S.R. 186(E), dated 12th April, 1996. In exercise of the powers conferred by sub-section (1) of Sec.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 :-

(1) Proper records shall be maintained batch wise showing separately all receipts, issues and balances both in quantities and cost of each item of raw materials such as raw hides, fabrics and finished leather etc., used in the production, processing or manufacture of different types of footwear as referred in rule 2, in any form or any type.

These records for direct materials shall contain such details as to enable the company to determine the quantity, cost of receipt (including all direct charges upto the works in respect of all major direct materials), issues and balances of each item of direct material separately for imported and indigenous supplies for each batch of Footwear produced. In case of imported materials including those canalised through Government agencies, details of cost, freight, insurance charges (CIF value) customs duty, port charges, inland freight and handling and clearance charges paid shall be recorded separately. The basis on which the said quantities and costs of issue and consumption have been calculated shall be indicated in the cost records and followed consistently. The records, relating to consumption of various materials in the manufacture of Footwear referred to in Rule 2 shall be identified with the respective batch of production or the cost centres to which the materials are issued.

(2) Proper records shall be maintained to show the receipts, issues and balances both in quantities and costs of each item of process material and chemicals. The issues and consumption shall be properly identified with the departments, cost centres and the products manufactured.

(3) In case, where Process materials/Chemicals/Components etc. required in the production of footwear referred to in rule 2 are manufactured by the company, separate records showing the cost of manufacture of each such item indicating the break up of raw materials consumed for the production and conversion cost shall be maintained in Proforma C1, C2 and C3 to Schedule II annexed to these rules to enable the company to determine the cost of such process materials/chemicals/components etc, produced. The cost sheets for various components such as slice upper, shoe bottom etc. shall be separately shown in Proforma C1. The cost of Rubber compound/PVC, if any, manufactured during the period shall be shown in proforma C2 and the Cost of finished leather manufactured during the period shall be shown in Proforma C3.

(4) Adequate quantitative records for determining the net consumption of process materials/chemicals, etc. which, used for the manufacture of footwear shall be maintained and Losses arising in the process of these items used for the manufacture of footwear shall be absorbed in a scientific manner. The said manner shall be clearly indicated in the Cost records.

(5) In case any raw material/process chemical covered under any Cost Accounting (Records) Rules prescribed under the Companies Act, 1956 (1 of 1956) is manufactured by the Company, proper cost accounting records shall also be maintained as per the relevant rules so as to arrive at the cost of such items.

(6) Proper records shall be maintained indicating the quantity and cost of by-product recovered in the different processes having significant value say five per cent or above of the cost of input of materials.

In the case of by-products recovered, which cannot be reused in the process and are sold or disposed off without further processing, the realisation from such sales shall be recorded and adjusted against the process concerned on a reasonable basis. In case further processing is necessary to make these by-products usable or saleable, as the case may be, adequate records of cost involved for such further processing shall be maintained and the net realisation adjusted against the process concerned.

(7) 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 cost shall include all direct charges upto works.

(8) 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 group of such items.

(9) The cost of consumption of consumable stores, small tools, and machinery spares shall be charged to the relevant cost centres on the basis of actual issues.

(10) Proper records shall be maintained showing the quantity and value of wastages, spoilages, rejections and losses of raw materials, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, manufacture or at any other stage. 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 product shall be indicated in the cost records, any abnormal wastages or spoilages etc. shall be indicated distinctly and separately along with reasons thereof.

(11) If the quantity and value of materials consumed are determined on any basis other than actuals, the method adopted shall be mentioned in the cost records and followed consistently. The overall reconciliation of such quantities and value of materials with the actuals shall be made at least quarterly during the financial year explaining the reasons for variations. The treatment of such variations in determining the cost of the items referred to in rule 2 shall be indicated in the cost records.

(12) Where Modified Value Added Tax (Modvat) or any other benefits under Central Excise and Salt Act; 1944 (1 of 1944) are available on any item of material, breakup details of such items should be furnished alongwith the proforma relating to cost of sales of the Sch.II annexed to these rules and also shown in cost of production or cost sheet of cost of sales.

2 \Application

(1) These rules shall apply to every company engaged in the production, processing, or manufacture of the Footwear including shoes, boots, sandals chappals, slippers, play shoes and moccasins.

(2) The provision of sub-rule (1) shall not apply to 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 and 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 turnover made by the Company from the sale or supply of all in products during the preceding financial year does not exceed ten crore rupees.

3. Maintenance or Records :-

Detailed records shall be maintained to indicate expenses incurred in respect of each service department or cost centre like laboratory, welfare, transport etc. These expenses shall be apportioned to other services and production departments on equitable basis and applied consistently. Where these services are utilised for other products of the company, the basis of apportionment to the Footwear referred to in rule 2 and to the other products shall be equitable and clearly indicated in the records 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 (c) of rule 3. 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.

SCHEDULE 1

SCHEDULE II

| | | | |
|--|------|--------------|---------------|
| (See Rule 3) | | | |
| ANNEXURE I | | | |
| Name of the Company | | | |
| Name and address of the Factory | | | |
| Statement showing the cost of Treated Water/Effluent Treatment during the year ending..... | | | |
| | Unit | Current Year | Previous Year |
| 1. Installed Capacity | | | |
| 2. Production | | | |
| 3. Purchases | | | |
| 4. Total produced and purchased | | | |
| 5. Consumption | | | |

SCHEDULE 2

2

| Proforma 'A' | | | | | | | | | | | |
|--|-------------|---------------------------------|------------------|-------------|------------------------------------|------------------|------------------------|-----------|--------------------|-------------------------|-------|
| Name of the Company | | | | | | | | | | | |
| Name and address of the Factory | | | | | | | | | | | |
| Statement showing the conversion cost for various operation cost entres for footwear..... for the year ended | | | | | | | | | | | |
| S. No. | Particulars | Production/Service Cost Centres | | | | | | | | | |
| | | Raw Hide/Tannery | Leather clicking | Pre-Fitting | Lasting/Assemb ling/Sole Attaching | Bottom Finishing | Polish ing & Finishing | Moul ding | Quality Inspection | Others (to be specfied) | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| A. Conversion Cost (Rs.) | | | | | | | | | | | |
| 1. Wages & Salaries | | | | | | | | | | | |
| 2. Consumable stores/Operating supplies | | | | | | | | | | | |
| 3. Utilities | | | | | | | | | | | |
| (a) Water | | | | | | | | | | | |
| (b) Steam | | | | | | | | | | | |
| (c) Power | | | | | | | | | | | |
| (d) Others (to be specified) | | | | | | | | | | | |
| 4. Other direct expenses (to be specified) | | | | | | | | | | | |
| 5. Repairs and Maintenance | | | | | | | | | | | |
| 6. Depreciation | | | | | | | | | | | |
| 7. Other works overheads | | | | | | | | | | | |
| 8. Adjustment for opening/closing W.I.P. | | | | | | | | | | | |
| 9. Adjustment for cost variance | | | | | | | | | | | |
| 10. Total conversion cost | | | | | | | | | | | |
| (a) Fixed conversion cost | | | | | | | | | | | |
| (b) Variable conversion cost | | | | | | | | | | | |
| B1. Machine | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|
| hours/ direct labour hours) | | | | | | | | | | | |
| (a) Available | | | | | | | | | | | |
| (b) Worked | | | | | | | | | | | |
| 2. Cost per machine/direct labour hour worked. | | | | | | | | | | | |
| (a) Fixed | | | | | | | | | | | |
| (b) Variable | | | | | | | | | | | |
| (c) Total | | | | | | | | | | | |
| 3. Cost per Machine/direct labour hour worked. | | | | | | | | | | | |
| (Previous year) | | | | | | | | | | | |
| (a) Fixed | | | | | | | | | | | |
| (b) Variable | | | | | | | | | | | |
| (c) Total | | | | | | | | | | | |
| Note: 1. Cost centres are illustrative only. | | | | | | | | | | | |
| 2. Item A9 is applicable to companies maintaining cost records on standard costing. | | | | | | | | | | | |
| 3. Bonus to employees other, than incentive bonus, provision for statutory gratuity or actual payment of the same during the period | | | | | | | | | | | |
| and interest charges on borrowings including debentures shall be exhibited in proformae D,E & F only. | | | | | | | | | | | |
| 4. Actual direct labour/machine hours utilised for each type and size of footwear shall be recorded batchwise. | | | | | | | | | | | |
| 5. Where special machines, such as high speed, automatic etc, are used for a particular process of manufacture, separate cost | | | | | | | | | | | |
| centre shall be opened for each such machine or group of such machines. | | | | | | | | | | | |
| 6. The amount of Royalty paid/Payable on production should be shown against item A4: | | | | | | | | | | | |