

COST ACCOUNTING RECORDS (INDUSTRIAL ALCOHOL) RULES, 1975

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COST ACCOUNTING RECORDS (INDUSTRIAL ALCOHOL) RULES, 1975

G.S.R. 594 (E), dated 30th December, 1975 1-In exercise of the powers conferred by sub-section (1).of Section 642 read with CI. (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-Molasses

(i) Proper records shall be maintained showing separately the quantity and cost of different grades of molasses procured from the sugar factory of the company and from other sources, if any.

(ii) These records shall contain such details as to enable the company to determine the quantity and cost of receipts (including all direct charges incurred upto the works), issues and balances. The basis on which the said quantities and costs have been calculated shall be clearly indicated in the cost records.

(b) Process Materials.-Proper records shall be maintained to show the receipts, issues and balances both in quantities and cost of each item of the process

materials such as sulphuric acid, caustic soda, ammonium sulphate, urea, yeast, de- hydrants and denaturants. The costs shall include all direct charges upto works, wherever specifically incurred. The issues shall be properly identified with the departments and products manufactured.

(c) 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 charges upto works, whenever specifically incurred.

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

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

(d) Wastages, spoilages, rejections, losses etc. of materials.-Proper records shall be maintained showing, the quantity and cost of wastages, spoilages, rejections and losses of raw materials, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, manufacture or for any other reasons. The method followed for adjusting the above losses as well as the income derived from the disposal of rejected and waste materials including spoilage, if any, in determining the cost of the product under reference shall be indicated in the cost records.

2 \Application

[. They shall apply to every company engaged in the production, processing or manufacture of Industrial alcohol which includes any grade or grades in the following categories, namely :-

(i) Absolute alcohol;

(ii) Rectified spirit;

(iii) Denatured and special denatured spirit:

(iv) Power alcohol; 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.554, dated 22nd July, 1989 (w.e.f. 5th August, 1989).

2. Subs. by G.S.R. 314 (E), dated 24th March 1993 (w.e. f. 24th March, 1993).

3. Maintenance of records :-

Detailed records shall be maintained to indicate the expenses directly incurred for each service department or cost centre. These expenses shall be apportioned to other service and production departments on an equitable basis.

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, 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 during which such contravention continues.

1. Subs by G.S.R. 792, dated 3rd June. 1977 (w.e.f. 25th June, 1977).

SCHEDULE 1

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1. Materials :-

(a) Raw materials-Molasses

(i) Proper records shall be maintained showing separately the quantity and cost of different grades of molasses procured from the sugar factory of the company and from other sources, if any.

(ii) These records shall contain such details as to enable the company to determine the quantity and cost of receipts (including all direct charges incurred upto the works), issues and balances. The basis on which the said quantities and costs have been calculated shall be clearly indicated in the cost records.

(b) Process Materials.-Proper records shall be maintained to show the receipts, issues and balances both in quantities and cost of each item of the process materials such as sulphuric acid, caustic soda, ammonium sulphate, urea, yeast, de- hydrants and denaturants. The costs shall include all direct charges upto works, wherever specifically incurred. The issues shall be properly identified with the departments and products manufactured.

(c) 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 charges upto works, whenever specifically incurred.

(ii) In the case of consumable stores and small tools the costs of which are

insignificant, the company, if it so desires, maintain such records for the main groups of such items.

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

(d) Wastages, spoilages, rejections, losses etc. of materials.-Proper records shall be maintained showing, the quantity and cost of wastages, spoilages, rejections and losses of raw materials, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, manufacture or for any other reasons. The method followed for adjusting the above losses as well as the income derived from the disposal of rejected and waste materials including spoilage, if any, in determining the cost of the product under reference shall be indicated in the cost records.

2. Salaries And Wages :-

(a) Proper records shall be maintained to show the attendance and earnings of all employees and the departments or cost centres and the work on which they are employed. The records shall also indicate separately :

(i) Overtime wages earned;

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

(iii) Earnings of casual labour.

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

(c) 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. Expenses of Service Departments :-

Detailed records shall be maintained to indicate the expenses directly incurred for each service department or cost centre. These expenses shall be apportioned to other service and production departments on an equitable basis.

4. Utilities :-

(a) Steam.-Where steam is raised by the distillery, proper records showing the quantity and cost of steam raised and consumed for the production of industrial alcohol shall be maintained in such detail as may enable the company to furnish the necessary particulars in Annexure I to this Schedule. The cost of steam consumed by the distillery and other units of the company shall be calculated on a reasonable basis and applied consistently. Where steam is generated and supplied by any other unit of the company to the distillery, the cost of steam so supplied shall be charged on a reasonable basis and applied consistently.

(b) Power.-Where power is generated by the distillery, proper records showing the quantity and cost of power generated and consumed for the production of industrial alcohol shall be maintained in such detail as may enable the company to furnish the necessary particulars in Annexure II to this Schedule. Adequate records shall also be maintained to show the quantity and cost of power purchased from outside parties. Where power is generated and supplied by any other unit of the company to the distillery, adequate records shall be maintained to assess the quantity and cost of power so supplied. The rate charged shall be on a reasonable basis and applied consistently. Necessary records shall also be maintained to show the consumption of power by the various departments or cost centres. The cost of power allocated to the respective departments 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 departments and cost centres shall be maintained. The records shall also indicate the basis by charging the workshop expenses to different departments, cost centres and units. 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 accounting in determining the cost of industrial alcohol 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 material, labour and a share of the overheads. The jobs carried out by the workshop of any other unit of the company to the distillery 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 acquisition and the 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 and machinery and other fixed assets utilised in such departments and cost centres. In case the amount of depreciation charged in the cost records 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 shall be indicated clearly in the cost records. The cumulative depreciation charged in the cost records against any individual item of assets shall not, however, exceed the original cost

of the respective asset.

7. Overheads :-

Proper records shall be maintained showing the various items of overhead expenses. These expenses shall be analysed, classified and grouped into works, administration and selling and distribution overheads. Where the company is engaged in the manufacture of any other products in addition to industrial alcohol the records shall clearly indicate the basis followed for the apportionment of the common overheads including head office expenses of the company to the manufacture of industrial alcohol, other activities and capital works. The basis followed for apportionment of the overheads shall be equitable. The overheads relating to the distillery together with the share of head office and other common overheads applicable thereto shall be allocated to the different categories of industrial alcohol manufactured on a reasonable basis. Details of selling and distribution expenses and the share thereof applicable to industrial alcohol manufacturing activity and as between the different categories of alcohol shall also be maintained. Records showing the expenses incurred on export of Industrial alcohol, 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 statements relating to export sales.

8. By-Products :-

Proper records shall be maintained for each item of by-products such as fuels oil recovered, showing the receipts, issues and balances both in quantity and value. The basis adopted for valuation of the by-products shall be equitable and consistent. Records indicating the actual sales realisation of by-products shall be maintained.

9. Industrial Alcohol Transferred for Captive Consumption :-

Proper records shall be maintained showing the quantity and cost of industrial alcohol transferred to other department/unit of the company for self-consumption. The rate at which such transfers are effected shall be disclosed in the cost records.

10. Packing :-

Proper records shall be maintained showing the quantity and cost of packing materials, wages and other expenses incurred, if any, in respect of different categories of industrial alcohol packed. Detailed records of the expenses incurred on export packing shall be kept separately and exhibited in the relevant cost statement for exports.

11. Work in Progress and Finished Goods :-

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.

12. Cost Statements :-

Statements showing the actual costs of molasses as well as production and marketing of industrial alcohol shall be maintained in proforma 'A', 'B' and 'C'

of Schedule II or in a form as near thereto, as practicable. If a company is operating more than one distillery, separate cost statement shall be maintained in respect of each distillery. Exports of industrial alcohol, if any, shall be exhibited in separate cost statements and the same excluded from the Cost Statements of industrial alcohol sold in the internal market.

13. Reconciliation of cost and Financial Accounts :-

The cost records shall be reconciled preferably periodically with the financial books of accounts 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 by the company and the share applicable to industrial alcohol shall be maintained in Proforma 'D' of Schedule II 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 clearly indicate the procedure followed by the company in working out the cost of the product under such procedure and the method followed for adjusting the cost variances in determining the actual cost of the product. The cost variation shall be shown against item 10 of Proforma 'B' of Schedule II. The reasons for the variance shall be detailed in the cost record.

15. Records of Physical Verification :-

Records of physical verification shall be maintained in respect of all items held in stock such as molasses, process materials, packing materials, consumable stores, machinery spares, 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 product 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 group 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, agreements or understandings reached, in respect of:

(a) purchase and sale of raw materials and process materials;

(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 in 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 plant utilisation, the period run for different categories of industrial alcohol, the quantity of each category and grade of industrial alcohol produced plant stoppages under classified headings indicating the reasons, quantity of by-products obtained, various operating efficiencies and recovery efficiencies shall be kept. Records as will enable the company to identify, the capital employed separately for the industrial alcohol manufacturing activity shall also be maintained. Fresh investments on fixed assets that have not contributed to the production during the relevant period shall also be indicated in the records. 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 with a view to achieve optimum economies 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. The data maintained in the cost records shall be reconciled with the periodical returns submitted by the company to the excise and other authorities.

SCHEDULE 2
SCHEDULE -II

[See rule 3] PROFORMA 'A' Name of the Company..... Name and address of the distillery..... \Statement showing the cost of Molasses procured and consumed for the manufacture of Industrial Alcohol during the year.....						
Sl.	Particulars	Rate	Cost	Cost per tonne	No.	Quantity
		Rs.	Rs.	Rs.		Rs.
						Current
						Previous Year
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Opening Stock 2. (a) Quantity transferred from own sugar factory, if any. (b) Purchases (to be given grade wise) 3. Transport and handling charges 4. Excise duties, if any						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
5. Other expenses including taxes, fees (to be specified) TOTAL 6. Less.: (i) Transit Losses (ii) Storage losses (iii) Other losses, if any, (to be specified) TOTAL 7. Less : Closing Stock 8. Consumption (transferred to proforma 'B')						
NOTES :-Abnormal losses of Molasses, if any. shall be indicated both in quantity and cost in a separate statement. SCHEDULE II [See rule 3] PROFORMA 'B' Name of the Company..... Name and address of the distillery..... Statement showing the cost of Industrial Alcohol manufactured during the year.....						
Current year Previous year						
1. Licensed capacity 2. Installed capacity 3. (a) Actual quantity of alcohol produced (Kilo litres)-- (Alcohol content %) (b) Converted in terms of 100% Alcohol (Kilo- litres) 4. Total sugar % in Molasses 5. Total fermentable sugars % in Molasses 6. Possible recovery of Alcohol % 7. Actual recovery of Alcohol % 8. Fermentation efficiency % 9. Distillation efficiency % 10. Overall efficiency %						
Sl.	Particulars	Qty.	Rate	Total Cost	per Kilo litre	No. Cost
			Rs.	Rs.	Rs.	Rs.
						Current
						Previous Year
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Raw Materials Molasses (Proforma 'A') 2. Process materials (i) Sulphuric Acid (ii) Caustic						

Administration Overheads - TOTAL 10. Adjustment for difference between opening and closing balance of work-in-progress . TOTAL 11. Less : Credits for recoveries : (i) By-products (ii) Others 12. Less : Captive Consumption :..... TOTAL 13. Stock adjustment for difference between opening. and closing stock of finished goods 14. Packing Cost including packing materials 15. Selling and Distribution expenses TOTAL 16. Interest charges 17. Annual bonus to employees other than incentive bonus 18. Provision for statutory gratuity. 19. Other expenses not included in cost (items to be specified) TOTAL 20. Less : Other income not considered in cost (items to be specified) 21. Total excluding excise duty..... 22. Deduct export benefits, if any NET TOTAL 23. Net sales realisation excluding excise duty 24. Margin

\All items of income and expenditure in this Proforma shall be reconciled with the financial accounts for the relevant period.