

COST ACCOUNTING RECORDS (MOTOR VEHICLES) RULES, 1997

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COST ACCOUNTING RECORDS (MOTOR VEHICLES) RULES, 1997

¹1. Published in the Gazette of India. Extraordinary, part II. Sec. 3(i), dated 11th September 1997 (w.e.f. 11th September, 1997). 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), and in supersession of the notification of Government of India, Ministry of Industrial Development, Internal Trade and Company Affairs (Department of Company Affairs) bearing G.S.R. 1465 dated 17th May 1969, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules namely :

1. Short title and commencement :-

(1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of direct materials (including bought out components, C.K.D etc) required and actually used in the production, processing or manufacture of different types of product referred to 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 and the cost of receipt (including all direct charges upto the works in respect of all direct charges upto the works in respect of all major direct materials), for imported and indigenous supplies of Motor Vehicles produced. In case of imported materials including those canalised through government agencies, details of cost, freight, insurance charges (CIF value) custom 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.

(2) In case, where the major assemblies/sub-assemblies like Engine, Transmission, Frame, Body, Batteries etc. required in the production of items referred to in rule 2 manufacture of each such item indicating the break up of raw materials consumed for the production and conversion cost shall be maintained.

(3) In case any raw material/process chemicals 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.

(4) If the quantity and value of materials consumed are determined on the basis of standard costing, 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 regularly 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.

(5) Proper records shall be maintained to show the receipts issues and balances, both in quantities and cost of each item of consumable stores, process material, chemical, small tools and machinery spares. The cost shall include all direct charges upto works.

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

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

(8) 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.

(9) Where MODVAT is availed on any item of material, cost thereof shall be shown at net of MODVAT.

2 \Application

.. They shall apply to every company engaged in the manufacture of. Motor Vehicles, whether passenger or commercial¹including the manufacture of the following vehicles, namely:

- (a) all types of passenger cars jeeps and station wagons :
- (b) all types of commercial vehicles, delivery and pick-up vans :
- (c) motor-cycles, scooters, scooters and Mopeds :
- (d) three-wheeler vehicles.

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- (e) any type of tractor

Provided that these rules shall not apply to company :

(a) the aggregate value of the machinery and plant installed in the undertaking of the company 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 of 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 its products during the preceding financial year does not exceed Rupees ten crore.

1. Subs. by G.S.R. 328 (E), dated 3rd June, 1998 (w.e.f. 3rd June, 1998).

2. Ins. by G.S.R. 328 (E), dated 3rd June, 1998 (w.e.f. 3rd June, 1998).

3. Maintenance of 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 product(s) of the company, the basis of apportionment to the Motor Vehicle referred to in rule 2 and to the other product(s) 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 person thereof who is in default referred to in sub-rule (c) of rule 3 shall be subject to the provisions of Sec. 209 of the Companies Act, 1956 (1 of 1956) be punishable with fine which may extend to rupees five hundred and where the contravention is a continuing one with a further fine which may extend to rupees fifty for every day after the first day during which such contravention continues.

SCHEDULE 1

SCHEDULE 1

1. Materials :-

(1) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of direct materials (including bought out components, C.K.D ets) required and actually used in the production, processing or manufacture of different types of product referred to 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 and the cost of receipt (including all direct charges upto the works in respect of all direct charges upto the works in respect of all major direct materials), for imported and indigenous supplies of Motor Vehicles produced. In case of imported materials including those canalised through government agencies, details of cost, freight, insurance charges (CIF value) custom 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.

(2) In case, where the major assemblies/sub-assemblies like Engine, Transmission, Frame, Body, Batteries etc. required in the production of items referred to in rule 2 manufacture of each such item indicating the break up of raw materials consumed for the production and conversion cost shall be maintained.

(3) In case any raw material/process chemicals 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.

(4) If the quantity and value of materials consumed are determined on the basis of standard costing, 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 regularly 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.

(5) Proper records shall be maintained to show the receipts issues and balances, both in quantities and cost of each item of consumable stores, process material, chemical, small tools and machinery spares. The cost shall include all direct charges upto works.

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

(7) 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.

(8) 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.

(9) Where MODVAT is availed on any item of material, cost thereof shall be shown at net of MODVAT.

2. Salaries and Wages :-

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

- (a) Piece rate wages earned (wherever applicable) ;
- (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 on casual labour.

(2) The records shall be maintained in such a manner so as to enable the company to furnish necessary particulars under this head in the various Proforma of the Schedule II annexed to these rules. Where the employees work in such a manner that it is not possible to identify them with any cost centre/department, the labour charges shall be apportioned to the cost centres on equitable basis and applied consistently.

(3) 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 product shall be disclosed in the cost records.

(4) Any wages and salaries allocable, the 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 :-

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 product(s) of the company, the basis of apportionment to the Motor Vehicle referred to in rule 2 and to the other product(s) shall be equitable and clearly indicated in the records and applied consistently.

4. Utilities :-

(1) Water. Proper records showing the quantity and cost of treated/ cooling water produced and consumed for the manufacture of Motor Vehicles in different cost centres/ departments shall be maintained. Similar records shall be maintained for effluent treatment also, if any.

(2) Steam. Where steam is raised by the company, proper records showing the quantity and cost of steam raised and consumed in the production of Motor Vehicles as referred to in rule 2 in different cost centres/departments shall be maintained. The cost of steam consumed by the Motor Vehicles, plant and other units of the company shall be calculated on a reasonable basis and applied consistently. Where steam is raised and supplied by any other unit of the company to the Motor Vehicles plant, the cost of steam so supplied shall be charged to Motor Vehicles plant on a reasonable basis and applied consistently.

(3) 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 and consumed for the production of Motor Vehicles in different cost centres /departments etc. Where power is generated and supplied by any other unit of the company to the Motor Vehicles Plant, adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power allocated to production of Motor Vehicles referred to in rule 2 shall be on a reasonable basis and applied consistently.

(4) Utilities other than water steam and power. Proper records shall also be maintained in respect of any other utilities other than water, steam and power produced or purchased by the company.

5. Workshop/repairs and maintenance/tool rooms :-

(1) Proper records showing the expenditure incurred by the workshop under different heads and on repairs and maintenance by the various cost centres/departments shall be maintained. The records shall also indicate the basis of charging the workshop/tool room expenses to different cost centres/departments. Where maintenance work is done by direct workers of any production cost centre, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centre. If the services are utilised for other products also, the manner of charging a share to Motor Vehicles, referred to in rule 2 shall be equitable and clearly indicated in records and applied consistently.

(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 accounting in determining the cost with reference to the period for which the benefit of such expenditure is likely to last.

(3) The jobs carried out by workshops of Motor Vehicles unit for other units of the company shall be charged on a reasonable basis and applied consistently.

6. Depreciation :-

The basis on which depreciation is calculated and allocated/ apportioned to the various cost centres/departments and absorbed on the products shall be clearly indicated in the cost records. Depreciation chargeable to the different cost centres/ departments shall be not less than the amount of depreciation chargeable in accordance with 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/ departments. In case the amount of depreciation charged in the cost accounts in a financial year is higher than the amount of depreciation chargeable under the aforesaid provisions of the Companies Act, 1956 (1 of 1956), the amount so charged in excess shall be indicated clearly in the cost records. The cost records shall also show the effect of the said excess on the per unit cost of Motor Vehicles referred to in rule 2. 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.

7. Royalty/technical know-how fee :-

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

8. Other overheads :-

(1) Proper records shall be maintained showing the various items of expenses comprising the other overheads. These expenses shall be analysed, classified and grouped according to functions, viz works,

administration and selling and distribution.

(2) Which of the company is manufacturing any product (s) other than Motor Vehicles 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 Motor Vehicles and other activities including capital works. Where certain expenses forming part of overheads can be identified with a particular activity of product, such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the common expenses under the above categories of overheads shall be apportioned on a reasonable and equitable basis and applied consistently. Overheads chargeable to capital works shall be indicated separately in the cost records. Basis of apportionment or absorption of overheads to the cost centres and products shall be indicated in the cost records.

(3) The details of works, administration and selling and distribution overheads shall be maintained in such a manner as to enable the company to fill up the necessary particulars in proforma of Sch - II annexed to these rules.

9. Conversion cost :-

When more than one manufacturing process is carried out in a particular machine(s) or series of machines, adequate records about the usage of such machine(s) for different products shall be kept. The cost of using such machine(s) shall be charged to the different products on an equitable basis e.g. equipment usage hours. Where composite machine hour rates are applied for absorption of wages, overheads and equipment usage, proper records relating to the utilisation of labour and multi-purpose machines for different processes connected with the manufacture of different products shall be kept to enable determination of total machine hours and the amounts chargeable to the respective Motor Vehicles referred to in rule 2. The variance between the actuals and the amount charged at pre-determined rates shall be adjusted for arriving at the end to the financial year.

10. Research and development expenses :-

(1) Proper records showing the details of expenses, if any, incurred by the company for the research and development work on the products covered under these rules according to the nature viz. development of products, existing and new, processes of manufacture, existing and new, design and development of new plant facilities and market research for the existing and new products etc. shall be maintained separately.

(2) The method of charging these expenses to the cost of the products shall be indicated in the cost records. Where the utility of such research and development work extends over more than one financial year, such expenses shall be treated as deferred expenses and charged to cost of production of Motor Vehicles referred to in rule 2 and to other products, if any, on a reasonable basis and applied consistently.

(3) Expenses incurred by the Research and Development department for providing technical know-how to outsiders shall be recorded separately and excluded from the cost of Motor Vehicles referred to in rule 2. The amount recovered for providing technical know-how to outsiders shall also be indicated separately.

11. Interest :-

The amount of interest shall be allocated/ apportioned to the products covered by these rules and other activities on a reasonable and equitable basis which shall be followed consistently. The basis of such apportionment shall be spelt out clearly in the cost statements. Basis of such apportionment shall be spelt out clearly in the cost statements. Basis of further charging of the share of the interest to the various types of such products shall be reasonable and the same shall be followed consistently.

12. Expenses/incentives on exports :-

Proper records showing the expenses incurred on the export sales of the products covered by rule 2, if any, shall be separately maintained, so that the cost of export sales can be determined correctly. Separate cost statement shall be prepared for products exported giving details of export expenses incurred/ incentive earned. In case, duty free imports have been made after the actual production, the statements should reflect this fact also.

13. Scrap and wastage :-

Proper records shall be maintained for all major items of scrap and wastage including steel and coil etc. The records for the scrap and wastage shall be maintained for all the cost centres separately so as to arrive cost centre wise scrap generation. The basis adopted for valuation of scrap for giving credit to the respective processes shall be equitable and consistent and should be indicated in cost records.

14. Joint products :-

Where more than one product which is of equal economic importance arises from processes, the cost upto the point of separation of products shall be apportioned to joint products on reasonable and equitable basis and shall be applied consistently. The basis on which such joint costs are apportioned to different products arising from the process/ processes shall be indicated in the cost records.

15. Captive consumption :-

Proper records shall be maintained showing the quantity and cost of items referred to under rule 2 transferred to other department(s)/unit(s) of the company for captive consumption. Such transfers shall be effected at cost and shall be disclosed in the cost records.

16. Packing :-

(1) Proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred for packing the finished products, if any, for the marketing of Motor Vehicles referred to under rule 2. Where such expenses are incurred in common for other products including those stated under rule 2, the basis of apportioning the expenses between the relevant products shall be clearly indicated in the cost records and applied consistently. If such packing materials are manufactured by the company, proper records showing the cost of production of such items shall be maintained.

(2) Detailed records of the expenses incurred on export packing, if any, shall also be kept separately and exhibited in the relevant cost statements for exports.

17. Work in progress and finished goods stock :-

The Method followed for determining the cost of work in progress and finished goods of Motor Vehicles referred to in rule 2, shall be indicated in the cost records so as to reveal the cost elements that have been taken into account in such computation. The appropriate share of conversion cost upto the stage of completion shall be taken into account while computing the cost of work in progress. The method adopted for determining the cost of work in progress and finished goods shall be followed consistently.

18. Cost statements :-

(1) Separate cost of sales statement in respect of different type of Motor Vehicles produced and sold, if any, shall be maintained.

(2) If the company is operating more than one factory, separate cost statements as specified above shall be maintained in respect of each factory.

19. Production records :-

Quantitative records of all finished / packed production, issues for sales and balances of different types of products referred to in rule 2 produced by the company shall be maintained. The cost of all finished / packed production shall be kept in detail for each type of product or in the form of control accounts provided the value of the balances according to such control accounts are reconciled periodically atleast once in a year with the value of the quantities shown in the quantitative account maintained for each type of products referred to in rule 2.

20. Reconciliation of cost and financial accounts :-

(1) Cost records shall be reconciled with the financial books of account for the financial year as to ensure accuracy. Variations, if any, shall be clearly indicated and explained. The reconciliation shall be done in such a manner that profit of the product under reference can be correctly arrived at and reconciled with the over all profit of the company.

(2) A statement showing the total expenses incurred and income received by the company under different heads of accounts and the share applicable to the products under rule 2 shall be maintained and reconciled with the financial accounts for the period.

21. 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 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 proforma of Sch. II annexed to these rules and analysed into material, labour, overheads and broken up into quantity, price, capacity utilisation etc. and shall be made regularly during the financial year. The reason for the variances shall be duly explained in the cost records.

22. Statistical records :-

(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.

(2) Adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for each type of product or group of products 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 cost record. The records shall, in addition show assets added as

replacement and that added for increasing existing capacity.

23. Pollution control :-

Expenditure incurred by the company on various measures to protect the environment like effluent treatment, control of pollution of air, waste etc. should be properly recorded.

SCHEDULE 2
SCHEDULE 2

Proforma 'A' Name of the Company Name and address of the Factory Statement showing the conversion cost for various operation cost centres for Motor Vehicle and their apportionment for the year ended																	
SI. No.	Particulars	Production/Service Cost Centres															
		Machine Shop		Foundry		Electrop lating Shop		Paint Shop		Heat Treatment		Assembly		Others (to be specified)		Total	
1	2	3		4		5		6		7		8		9		10	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
		(hrs)	(Rs.)	(hrs)	(Rs.)	(hrs)	(Rs.)	(hrs)	(Rs.)	(hrs)	(Rs.)	(hrs)	(Rs.)	(hn>)	(Rs.)	(hrs)	(Rs.)
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 & Maintenance																
6.	Depreciation																
7.	Works Overheads																
8.	Adjustment for opening/closing W.I.P.																
B.	Machine hours/																
1.	Direct Labour hours																
	(a) Available																
	(b) Worked																
2.	Cost per Machine/Direct labour hour worked																
3.	Cost per Machine/direct labour hour worked (previous year)																
A.	Apportionment of conversion cost to respective type to Motor Vehicles/components																
1.																	
2.																	
3.																	
4.																	
5.																	
6.	etc.																
Total																	
Notes: 1. A = Actual direct labour/Machine hours utilised as per actual recording, appropriate basis of apportionment																	
B = Conversion cost in rupees.																	

2. Cost Centres are illustrative only.
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 proforma C and D only.
4. Actual Direct labour/machine hours utilised for each type of Motor Vehicle should 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.