

COST ACCOUNTING RECORDS (SUGAR) RULES, 1997

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COST ACCOUNTING RECORDS (SUGAR) RULES, 1997

¹1. Published in the Gazette of India Extraordinary, Part-II, Sec. 3(i) dated 15th July, 1997 (w.e.f. 15th July, 1997). In exercise the powers conferred by sub-section (1) of Section 642, read with (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 Law, Justice and Company Affairs (Department of Company Affairs) bearing G.S.R. 982(E) dated 4th September, 1974 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 :-

(i) (a) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of sugarcane procured at the gate and other locations. These records 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 Sugarcane. The basis on which the said quantities and costs of issue and consumption have been calculated in the cost records and followed consistently.

(i) (b) Where Sugar cane is grown in farms owned or taken on lease by the company detailed records shall be maintained so as to enable computation of the cost of such sugarcane. The State advisory price/controlled rate will be adopted for pricing the sugar cane supplied by the farm to the sugar factory in the cost records.

(i) (c) where raw material other than sugar cane is used for manufacture of sugar, records referred to in (i) (a) shall be maintained for such raw material.

(i) (d) Proper records shall be maintained for transport of raw material from source of supplies to factory. If company is operating its own transport, for inward transportation of raw materials log books and other records including financial records shall be maintained.

(ii) Proper records shall be maintained indicating the quantity and value of by product recovered in the different processes having significant value say five percent or above of the cost of inputs of materials. In the case of by-products recovered, which cannot be reused in the process and are sold or disposed of 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. The basis adopted for valuation of the by-products shall be equitable and consistent. Records indicating the actual sales realisation of by-products shall also be maintained.

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

(iv) In the case of consumable stores and tools the cost of which are significant, the company may, if so desires, maintain such records for such items as a group together.

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

(vi) Proper records shall be maintained showing the quantity and value of wastages, spoilages, rejections and losses of raw materials, process materials, consumable stores, tools and machinery spare, 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 products shall be indicated in the cost records. Any abnormal wastages or spoilages etc. shall be indicated distinctly and separately along with reasons thereof.

(vii) Where Modvat is available on any item of material, cost thereof shall be shown at Net of Modvat.

2 \Application

(1) These rules shall apply to every company engaged in the production or manufacture of Sugar by vacuum pan process and excludes jaggery and khandsari.

(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 Rupees sixty lakhs as on the last day of the preceding financial year, and for 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 its products during the preceding financial year does not exceed Rupees the crores.

3. Maintenance of Records :-

Detailed records shall be maintained to indicate expenses incurred in respect of each service department or cost centre like laboratoy, welfare, transport etc. These expenses shall be apportioned to other services and production departments on equitable basis and applied consisently. Where these services are utilised for other products of the company, the basis of apportionment to the product(s) 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 person 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 Rupees. Five hundered and where the contravention is a continuing one with a further fine may extend to Rupees, fifty for every day after the first day during which period such contravention continues.

SCHEDULE 1

1

1. Materials :-

(i) (a) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of sugarcane procured at the gate and other locations. These records 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 Sugarcane. The basis on which the said quantities and costs of issue and consumption have been calculated in the cost records and followed consistently.

(i) (b) Where Sugar cane is grown in farms owned or taken on lease by the company detailed recods shall be maintained so as to enable computation of the cost of such sugarcane. The State advisory price/controlled rate will be adopted for pricing the sugar cane supplied by the farm to the sugar factory in the cost records.

(i) (c) where raw material other than sugar cane is used for manufacture of sugar, records referred to in (i) (a) shall be

maintained for such raw material.

(i) (d) Proper records shall be maintained for transport of raw material from source of supplies to factory. If company is operating its own transport, for inward transportation of raw materials log books and other records including financial records shall be maintained.

(ii) Proper records shall be maintained indicating the quantity and value of by product recovered in the different processes having significant value say five percent or above of the cost of inputs of materials. In the case of by-products recovered, which cannot be reused in the process and are sold or disposed of 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. The basis adopted for valuation of the by-products shall be equitable and consistent. Records indicating the actual sales realisation of by-products shall also be maintained.

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

(iv) In the case of consumable stores and tools the cost of which are in significant, the company may, if so desires, maintain such records for such items as a group together.

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

(vi) Proper records shall be maintained showing the quantity and value of wastages, spoilages, rejections and losses of raw materials, process materials, consumable stores, tools and machinery spare, 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 products shall be indicated in the cost records. Any abnormal wastages or

spoilages etc. shall be indicated distinctly and separately along with reasons thereof.

(vii) Where Modvat is available on any item of material, cost thereof shall be shown at Net of Modvat.

2. Salaries and Wages :-

(i) Proper records shall be maintained to show the attendance and earnings of all employees of the cost centres/departments and the work on which they are employed. Such records shall contain the salaries and wages pertaining to the season and off season separately. The records shall also indicate the following separately for each cost centre/department.

(a) Piece rate wages (wherever applicable);

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

(c) Overtime Wages;

(d) Earnings of casual labour;

(e) Retainer allowance;

(ii) The records shall be maintained in such a manner so as to enable the company to furnish necessary particulars under this head in the Proformae of the Sch. II appended 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/departments on equitable basis and applied consistently.

(iii) 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 product(s) shall be disclosed in the cost records.

(iv) 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 :-

Detailed records shall be maintained to indicate expenses incurred in respect of each service department or cost centre like laboratoy, 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 product(s) and to the other products shall be equitable and clearly indicated in the records and applied consistently.

4. Utilities :-

(i) Water. Proper records showing the quantity and cost of treated/cooling water produced and consumed, if any, for the manufacture of the product(s) in different cost centres/departments shall be maintained in such details as may enable the company to furnish the necessary particulars in prescribed proformae of sch. II.

(ii) Steam. Proper records showing the quantity and cost of steam produced and consumed for the manufacture of the company to furnish the necessary particulars in prescribed proformae of Sch. II. The cost of steam consumed by the sugar plant and other units of the company shall be calculated on a reasonable basis and applied consistently. Where steam is produced and supplied by any other unit of the company to the sugar plant, the cost of steam so supplied shall be charged to sugar plant on a reasonable basis and applied consistently. If beggase, generated as a bye-product, is used as fuel in the production of steam, it should be appropriately valued and accounted.

(iii) Power.

(a) 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 sugar in different cost centres and departments etc. These records shall be maintained in such detail as may enable the company to furnish the necessary particulars in prescribed proforma of schedule II.

(b) Where power is generated and supplied by any other unit of the company to the sugar plant, adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power allocated to production of the product(s) shall be on a reasonable basis and applied consistently.

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

5. Workshop/Repairs Maintenance/Tool Rooms :-

(i) 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/department, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centre/department. If the services are utilised for other products also, the manner of charging a share to the products(s) shall be equitable and clearly indicated in records and applied consistently.

(ii) 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 relevant period.

(iii) The jobs carried out by workshops of sugar 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 and departments shall not be 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 and 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 the product(s). 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 collaborator or supplier. The basis of charging such amounts, including one time payments, to the products shall be indicated in the cost records.

8. Other Overheads :-

(i) 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, selling and distribution.

(ii) Where the company is manufacturing any product(s) other than the product(s) the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to the sugar and other activities including capital works. Where certain expenses forming part of overheads can be identified with a particular activity or product, such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the residue 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.

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

9. Research and Development Expenses :-

(i) 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.

(ii) 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 the cost of production of the product(s) and to other products, if any on a reasonable basis and applied consistently.

(iii) expenses incurred by the Research and Development department for furnishing technical know-how to outsiders shall be recorded separately and excluded from the cost of the product(s). The amount charged for providing technical know-how to outsiders shall be indicated separately.

10. 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 spell out clearly in the cost statements. Basis of further charging of the share of the interest to the various types of such products shall also be reasonable and the same shall be followed consistently.

11. Expenses/Incentives on Export :-

Proper records showing the expenses incurred on the export sales, if effected, of the product(s) if any, shall be maintained so that the cost of export sales can be determined correctly. Seperate cost statement shall be prepared for products exported giving details of export expenses incurred/incentive earned, if the duty free imports have been made after actual production, the statement should reflect this fact.

12. Captive Consumption :-

Proper records shall be maintained showing the quantity and cost of product(s) transferred to other departments/units of the company for captive consumption. Such transfers shall be effected at cost and be disclosed in the cost records.

13. Packing :-

(i) Proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred for packing the finished products for the marketing of sugar. Where such expenses are incurred in common for other products also, the basis of apportioning the expenses between the relevant products shall be clearly indicated in the cost records and applied consistently.

(ii) 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.

14. Work in Progress and Finished Goods Stock :-

The method followed for determining the cost of work in progress and finished goods of the product(s), 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. Records showing the cost of work in progress and the quantities and the cost of finished goods shall be maintained in such details as to enable the company to fill up the particulars in relevant Proformae of the Sch. II annexed to these rules.

15. Cost Statement :-

(i) The product emerging from a process which forms raw material for a subsequent process shall be valued at the cost of production up to the previous stage.

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

16. Production Records :-

Quantitative records of all finished and packed production, issues for sales and balances of different types of the product(s) produced by the company shall be maintained. The cost of all finished and packed production shall be kept in detail for each type of the product(s) 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 the product(s).

17. Reconciliation of Cost and Financial Accounts :-

(i) Cost records shall be reconciliation with the financial books of account for the financial year so 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(s) can be correctly arrived at and reconciled with the over all profit of the company.

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

18. Adjustment of Cost Variances :-

Where the company maintains cost records on any basis other than actual such as standard costing, the records shall indicate the procedure followed by the company in working out the cost of the product(s) under such system. The method followed for adjusting the cost variances in determining the actual cost of the product shall be indicated separate heads in the respective Proformae of Sch. II annexed to these rules and analysed into material, labour, overheads and broken up into quantity, price, efficiency, capacity utilisation and shall be made atleast quarterly during the financial year. The reason for the variances shall be duly explained in the cost records.

19. Statistical Records :-

(i) 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.

(ii) Adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for the product(s) 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.

20. Pollution Control :-

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

SCHEDULE 2

2

(See Rule 3)

Proforma 'A'

Name of the Company

Location of the Sugar Factory

Statement showing the cost of Treated Water/Effluent Treatment during the year/period

ending.....

	Unit	Current year	Previous year
1. Installed Capacity			
2. Production			
3. Purchases			
4. Total produced and purchased			
5. Consumption			