
**GSR No. 429 (E) dated 3rd June,
2011 prescribing
The Companies (Cost Accounting
Records) Rules , 2011**

Presented by :
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APPLICATION

- a. All Companies engaged in manufacturing, mining, processing, productions
- b. As on the last date of the immediately preceding year:
 - (i) Net worth exceeds Rs. five crores, OR
 - (ii) Aggregate value of the turnover from sale or supply of all products or activities exceeds Rs. twenty crores, OR
- c. The Company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India

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APPLICATION

d. EXCEPTION:

(i) a company which is body corporate governed by any special act;

(ii) Bulk Drugs, Formulations, Fertilizers, Sugar, Industrial Alcohol, Electricity Industry, Petroleum Industry, Telecommunications

e. Supersedes 36 Cost Accounting Record Rules except for 8 regulated group of industries mentioned in d (ii) above.

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Definition of “PRODUCT”

“Product” means any tangible or intangible goods, material, substance, article, idea, know-how, method, information, object, service, etc. that is the result of human, mechanical, industrial, chemical, or natural act, process, procedure, function, operation, technique, or treatment and is intended for use, consumption, sale, transport, store, delivery or disposal.

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Definition of Manufacturing Activity

- “Manufacturing Activity”** includes any act, process or method employed in relation to -
- Transformation of raw materials, components, sub-assemblies, or parts into semi-finished or finished products; or
 - Making, altering, repairing, fabricating, generating, composing, ornamenting, furnishing, finishing, packing, re-packing, oiling, washing, cleaning, breaking-up, demolishing, or otherwise treating or adapting any product with a view to its use, sale, transport, delivery or disposal; or
 - Constructing, reconstructing, reconditioning, servicing, refitting, repairing, finishing or breaking up of any products.

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Definition of Mining Activity

“Mining Activity” includes any act, process or method employed in relation to the Extraction of ores, minerals, oils, gases or other geological materials from the earth’s crust, including sea bed or river bed’.

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Definition of Processing Activity

“Processing Activity” includes any act, process, procedure, function,

- operation, technique, treatment or method employed in relation to—Altering the condition or properties of inputs for their use, consumption, sale, transport, delivery or disposal; or
- Accessioning, arranging, describing, or storing products; or
- Developing, fixing, and washing exposed photographic or cinematographic film or paper to produce either a negative image or a positive image; or
- Printing, publishing, finishing, perforation, trimming, cutting, or packaging; or

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Definition of Processing Activity

- Pumping oil, gas, water, sewage or any other product; or
- Transforming or transmitting, distributing power or electricity; or
- Harboring, berthing, docking, elevating, lading, stripping, stuffing, towing, handling, or warehousing products; or
- Preserving or storing any product in cold storage; or
- Constructing, reconstructing, reconditioning, repairing, servicing, refitting, finishing or demolishing of buildings or structures; or

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Definition of Processing Activity

- Farming, feeding, rearing, treating, nursing, caring, and stocking of living organisms; or
- Telecasting, broadcasting, telecommunicating voice, text, picture, information, data or knowledge through any mode or medium; or
- Obtaining, compiling, recording, maintaining, transmitting, holding or using the information or data or knowledge; or
- Executing instructions in memory to perform some transformation and/or computation on the data in the computer's memory.

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Definition of Production Activity

“Production Activity” includes any act, process, or method employed in relation to-

- Transformation of tangible inputs (raw materials, semi-finished goods, or sub-assemblies) and intangible inputs (ideas, information, know how) into goods or services; or
- Manufacturing or processing or mining or growing a product for use, consumption, sale, transport, delivery or disposal; or
- Creation of value or wealth by producing goods or services.

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Applicable to Service Sector

Maintenance of cost records is a necessity for service sector enterprises also. With this in view, the 2011 Records Rules define “Production activity” to inter alia cover “transformation of tangible inputs (raw materials, semi-finished goods, or sub- assemblies) and intangible inputs (ideas, information, know how) into goods or services” and “creation of value or wealth by producing goods or services”. Thus, the 2011 Records Rules have extended the requirements to maintain cost record under section 209(1)(d) to companies engaged the services sector also.

However, the 2011 Records Rules shall not apply to a banking company or insurance company as such a company is “a company which is a body corporate governed by any special Act”,

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Definition of Service Sector

“Work done or duty performed for another or others; a serving; as, professional services, repair service, a life devoted to public service. An activity carried on to provide people with the use of something, as electric power, water, transportation, mail delivery, telephones, etc.

Anything useful, as maintenance, supplies, installation, repairs, etc., provided by a dealer or manufacturer for people who have bought things from him”.

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MAINTENANCE OF RECORDS

- 1) Every company including all units and branches,
- 2) To be kept on regular basis to calculate per unit cost of production or cost of operations, cost of sales and margin,
- 3) For each of its products and activities,
- 4) On monthly / quarterly / half-yearly / annual basis
- 5) In accordance with Generally Accepted Cost Accounting Principles and

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MAINTENANCE OF RECORDS

- 6) Cost Accounting Standards issued by ICWAI
- 7) Variations to be clearly indicated and explained
- 8) To achieve optimum economies in utilisation of resources
- 9) To be reconciled with the annual financial audited statements
- 10) To be kept in good order for eight years

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PROCEDURE FOR SUBMISSION OF COMPLIANCE REPORT

- Every Company to submit a compliance report
- In respect of each of its financial year
- Commencing on or after 1st April, 2011
- Duly certified by a Cost Accountant (either in practice or in permanent employment of the Company)
- Along with annexures to the Central Government in the prescribed form.

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TIME LIMIT FOR SUBMISSION OF COMPLIANCE REPORT

Within 180 days from the close of the
company's financial year

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AUTHENTICATION OF ANNEXURE TO THE COMPLIANCE REPORT

The Annexure as certified by the Cost Accountant should be approved by the Board of Directors before submitting to the Central Government

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FORM OF THE REPORT

FORM - A

■ Part-I :

- Details of the Company including date of Board of Directors meeting approving the compliance report
- Details of the Cost Accountant
- Quantitative Details

■ Part-II :

- To be verified and digitally signed by MD or Director or Manager or Secretary in Indian Company or Authorised Representative in foreign company.
- Attachment – Compliance Report duly signed by the Cost Accountant.

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PENALTIES

Cost Accountant :

- Fine upto Rs. 5,000/- (Rupees Five Thousand Only).

Company and Officer in Default :

- Imprisonment upto six months or fine upto Rs. 10,000/- (Rupees Ten Thousand Only) or Both.