

**GOVERNMENT OF PAKISTAN**  
**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Islamabad, the 21<sup>st</sup> September, 2020

**NOTIFICATION**

**S.R.O. 893 (I)/2020-** The following draft Companies (Audit of Cost Accounts) Regulations, 2020, proposed to be made by the Securities and Exchange Commission of Pakistan, in exercise of the powers conferred under sub-section (1) of section 250 read with first proviso to sub-section (1) of section 220 and sub-section (1) of section 512 of the Companies Act, 2017 (XIX of 2017), is hereby published for information of all persons likely to be affected thereby and notice is hereby given that comments, if any, received within fourteen days of the date of this notification will be taken into consideration.

**DRAFT COMPANIES (AUDIT OF COST ACCOUNTS) REGULATIONS, 2020**

1. **Short title, application and commencement.** - (1) These regulations may be called the Companies (Audit of Cost Accounts) Regulations, 2020.

(2) Every company engaged in production, processing, manufacturing or mining activities is required to maintain particulars relating to utilization of material or labour or the other inputs or items of cost under first proviso to sub-section (1) of section 220 of the Act including but not limited to class of companies which have been recommended by the relevant regulatory authorities and entities in terms of sub-section (2) of section 250 as mentioned in the Schedules to these regulations.

(3) These shall come into force on the date of their publication in the Official Gazette.

(4) These shall be applicable in respect of the financial years commencing on or after the date of this notification.

2. **Definitions.** - (1) In these regulations, unless there is anything repugnant in the subject or context:-

- i. "Act" means the Companies Act, 2017 (XIX of 2017);
- ii. "Appendix" means an Appendix to these regulations;
- iii. "Company" means as defined in the Act;
- iv. "Cost auditor" means a cost auditor appointed under regulations 3; and
- v. "Schedule" means a Schedules to these regulations.

(2) The words and expression used but not defined in these regulations shall have the same meaning as are assigned to them in the Act.

3. **Maintenance of records.**- (1) Every company to which these regulations apply shall, in respect of each financial year commencing on or after the commencement of these regulations, keep cost accounting records, containing, inter alia, the particulars specified in Schedules to these regulations.

(2) The cost accounting records referred to in sub-regulation (1) shall be kept in such a way as to make it possible to calculate from the particulars entered therein, the cost of production and cost of sales of each of the products separately, during a financial year.

(3) Where a company is engaged in any other business(es) in addition to those referred to in Schedules to these regulations, the particulars relating to the utilization of materials, labour and other items of cost in so far as they are applicable to such other product shall not be included in the cost of product referred to in Schedules to these regulations.

(4) It shall be the duty of every person referred to in sub-section (6) of section 220 of the Act, to comply with the provisions of these regulations in the same manner as they are liable to maintain financial accounts required under section 220 of the said Act.

4. **Appointment of cost auditors.** - (1). The first cost auditor shall be appointed by the board within ninety days from the date of this notification of these regulations or amendment thereof and thereafter cost auditor for subsequent financial year shall be appointed within one hundred and eighty days of the commencement of every financial year of the company.

(2) Every company shall inform the appointment of cost auditor to the Commission within a period of fourteen days of the board meeting in which such appointment is made, in the Form set out in Appendix I.

(3) Every cost auditor appointed as such shall continue in such capacity till the expiry of one hundred and eighty days of the closure of the financial year for which he has been appointed or till he submits the cost audit report.

Provided that the cost auditor appointed under these regulations may resign from such office of the company or may be removed from his office before the expiry of his term through a board resolution after being given a reasonable opportunity of being heard and recording the reasons for such removal in writing.

(4) Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal, shall be filled by the board within thirty days of occurrence of such vacancy and the company shall inform the appointment of cost auditor to the Commission on relevant form within fourteen days of such appointment.

(5) The remuneration of the cost auditor shall be fixed by the board or by the Commission, if the cost auditors are appointed by the board or the Commission, as the case may be.

**5. Qualification and disqualification of cost auditors:** (1). Every company shall be required to get its cost accounts audited by a cost auditor who is a Chartered Accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), or a Cost and Management Accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966) having a valid certificate of practice from the respective institute;

Provided that a firm whereof majority of practicing partners are qualified for appointment shall be appointed by its firm name to be the cost auditors of the company;

Provided further that in the case of listed company, the cost auditor or firm shall hold satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

(2) Where a partnership firm is appointed as cost auditor of a company, only the partners who meet the qualification requirements as provided in sub-regulation (1), shall be authorized to act and sign on behalf of the firm.

(3) None of the following persons shall be appointed as cost auditor of a company, namely: -

- a. a person who has been appointed as auditor of the company for the respective period under section 246 of the Act;
- b. a person who is, or at any time during the preceding three years was, a director, officer or employee of the company;
- c. a person who is a partner of, or in the employment of, a director, officer or employee of the company;
- d. the spouse of a director of the company;
- e. a person who is indebted to the company other than in the ordinary course of business of such entities;
- f. a person who has given a guarantee or provided any security in connection with the indebtedness of any third person to the company other than in the ordinary course of business of such entities;
- g. a person or a firm who, whether directly or indirectly, has business relationship with the company other than in the ordinary course of business of such entities;
- h. a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
- i. a body corporate;
- j. a person who is not eligible to act as auditor under the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan;

k. a person or his spouse or minor children, or in case of a firm, all partners of such firm who hold any shares of an audit client or any of its associated companies:

Provided that if such a person holds shares prior to his appointment as cost auditor, whether as an individual or a partner in a firm the fact shall be disclosed on his appointment as cost auditor and such person shall disinvest such shares within ninety days of such appointment.

**Explanation.** - In this sub-regulation,

(i) reference to an "officer" or "employee" shall not include a cost auditor;  
(ii) for the purposes of clause (e), a person who owes-

(a) a sum of money not exceeding one million rupees to a credit card issuer; or

(b) a sum to a utility company in the form of unpaid dues for a period not exceeding ninety days;

shall not be deemed to be indebted to the company.

(4) A person shall also not be qualified for appointment as cost auditor of a company if he is, by virtue of the provisions of sub-regulation (3), disqualified for appointment as cost auditor of any other company which is that company's subsidiary or holding company or a subsidiary of that holding company;

(5) If, after his appointment, cost auditor becomes subject to any of the disqualifications specified in this section, he shall be deemed to have vacated his office as cost auditor with effect from the date on which he becomes so disqualified;

(6) The appointment as cost auditor of a company of an unqualified person, or of a person who is subject to any disqualifications to act as such, shall be void, and, where such an appointment is made by a company, the Commission may appoint a qualified person in place of the cost auditor appointed by the company.

**6. Cost auditors' report.** - (1). Every company shall, in addition to the records and statements specified in the Schedule to these regulations, prepare -

a. a statement of production capacity of the plant, in terms of machine hours and production units, the actual utilization of the capacity and the reasons of difference between the two; and

b. a statement of stock-in-trade of the company as at the end of financial year in terms of quantity and cost thereof distinguishing between

- I. stock of raw material and components;
- II. stock of work in process;
- III. stock of finished products; and
- IV. other stocks.

(2) The statement specified in clauses (a) and (b) of sub-regulation (1) shall be signed by the chief executive and chief financial officer of the company.

(3) The cost auditor shall make out a report within one hundred and eighty days of the close of the financial year to which the cost audit relates, to the board in the form set out in Appendix II along with a statement in the form set out in Appendix III and simultaneously shall submit copy thereof to the Commission and the registrar concerned.

(4) The company shall, within thirty days from the date of receipt of copy of the report, furnish the Commission with full information and explanation on every reservation or qualification contained in such report.

**7. Penalty for contravention of these regulations.-** Whoever fails or refuses to comply with, or contravenes any provision of these regulations, or authorises or permits such failure, refusal or contravention shall, be also punishable with penalty as provided in sub-section (2) of section 512 of the Act and wherever applicable penalty provided in sub-section (6) of section 220 or other provisions of law as provided in the Act will be applicable.

**8. Repeal and Saving. —**(1) The following rules and notifications hereinafter referred to as repealed instruments are hereby repealed, namely—

- (a) Companies (Audit of Cost Accounts) Rules, 1998;
- (b) Vegetable Ghee and Cooking Oil Companies (Cost Accounting Records) Order, 1990;
- (c) Cement Industry (Cost Accounting Records) Order, 1994;
- (d) Sugar Industry (Cost Accounting Records) Order, 2001;
- (e) Chemical Fertilizer Industry (Cost Records) Order, 2012;
- (f) Synthetic and Rayon Companies (Cost Records) Order, 2012; and
- (g) Electric Power Generation Industry (Cost Records) Order 2015.

(2) Anything done, actions taken, orders passed, registration granted, notifications issued, proceedings initiated and instituted, prosecutions filed, processes or communications issued, fee charged and powers conferred, assumed or exercised by the Commission under the repealed instruments, shall, on the coming into operation of these regulations, be deemed to have been validly done, taken, passed, granted, charged, issued, initiated or instituted, filed, conferred, assumed and exercised and every action, prosecution or proceeding instituted and every order, directive, notification, circular etc. issued by the Commission shall be deemed to have been

initiated, instituted or issued under these regulations and shall be proceeded with to completion and be enforced and have effect accordingly.

**Appendix-I**  
**[see regulation 4(2)]**

**INITIATION TO THE COMMISSION FOR APPOINTMENT OF COST AUDITOR(S)**

1. Name of the company together with the address of its registered office and the date of its incorporation:
2. Status of the company:
3. Capital structure of the company:
4. Principal line(s) of business of the company:
5. Details of appointed cost auditor:
  - (i) Name of the cost auditor
  - (ii) Address of cost auditor:
  - (iii) Phone No. Landline/ Mobile Number
  - (iv) Email address
  - (v) Whether the appointed cost auditor is a Chartered Accountant within the meaning of Chartered Accountants Ordinance, 1961(X of 1961) or Cost and Management Accountant within the meaning of the Cost and Management Accountants Act, 1966 (XVI of 1966) and whether he has a certificate of practice
  - (vi) The associateship/fellowship No. of the cost auditor:
6. Confirmation that the cost auditor is not subject to any disqualification under regulation 5(3):
7. Remuneration for the cost auditor:
8. The financial year to be covered by the cost audit:
9. Date of passing of resolution by directors:
10. Type of appointment: Regular/ Casual vacancy:
11. Name and address of cost auditor for previous financial year(s), if any:
12. If there is any change in appointed cost auditor from previous financial year, the reasons therefore may be stated:
13. If the cost auditor has been removed during tenure, the reasons therefore may be stated:

**Declaration:** I/ We solemnly declare that facts stated in this form are true, correct and complete including the documents annexed to this form and nothing has been concealed. I/ We also declare that all the requirements of regulations in respect of appointment of cost auditor and matters incidental thereto have been complied with.

**Signature:**

Designation (Chief Executive)

Dated: This .....day of .....20.

**Enclosure:** Duly certified copy of board resolution regarding appointment of cost auditor.

**Appendix-II**  
**[See regulation 6(3)]**  
**COST AUDITORS' REPORT**

I/We ..... having been appointed to conduct an audit of cost accounts of M/s....., have examined the books of account and the statements specified under first proviso to sub-section (1) of section 220 of the Companies Act, 2017 and the other relevant record for the year ended on.....and report that -

I/We have/have not obtained all the information and explanations which to the best of my/our knowledge and belief were necessary for the purposes of this audit.

in my/our opinion -

- a. proper cost accounting records as required by first proviso to sub-section (1) of section 220 of the Companies Act, 2017 (XIX of 2017) , and as required by these regulations, have been / have not been kept by the company;
- b. proper returns, statements and schedules for the purpose of audit of cost accounts have / have not been received from branches not visited by me/us; and
- c. the said books and records give/do not give the information required by the regulations in the manner so required.

in my/our opinion and, subject to best of my/our information –

- a. the annexed statement of capacity utilization and stock-in-trade are/are not in agreement with the books of account of the company and exhibit/ do not exhibit true and fair view of the company's affairs; and
- b. cost accounting records have/have not been properly kept so as to give a true and fair view of the cost of production, processing, manufacturing, marketing,

cost of sales, profit margin on indigenous and export sales and any other information of the undermentioned products of the company, namely:-

(i) \_\_\_\_\_

The matter contained in the Appendix III forms part of this report and approved by the board on [dd/mm/yy]

Dated: This .....day of .....

Signature:

(Name of the cost auditor or firm of cost auditors)

**Appendix III**  
**[ See regulation 6(3)]**

**PARTICULARS TO BE INCLUDED IN COST AUDITORS'  
REPORT TO THE DIRECTORS OF THE COMPANY**

- 1. Capacity:**
  - a. Licensed, installed and utilized capacities of the unit or units for the products under reference.
  - b. If the company is engaged in other activities besides the manufacture of the product under reference, give a brief note on the nature of such other activities.
  - c. Details need to be furnished about whether capacity was owned or available through leasing arrangements/loan/outsourcing;
  - d. Normal capacity shall be determined vis-a-vis installed capacity after carrying out adjustments, i.e., number of shifts, holidays, normal shut down days and normal idle time; loss in efficiency due to ageing of the equipment/ plant or any other etc.
  
- 2. Cost accounting system:**
  - a. Brief comments on the cost accounting system and its adequacy or otherwise to determine correctly the cost of the product under reference.
  - b. Briefly specify the changes, if any made in the cost accounting policy for goods under audit during the current financial year as compared to previous financial year
  - c. Observation of the cost auditor regarding adequacy or otherwise of the budgetary control system, if any.
  
- 3. Production:**
  - a. Production in quantities of each type of product under reference.
  - b. Percentage of production of the product under reference in relation to installed capacity. If there is any shortfall in production as compared to the installed capacity, brief comments as to the reasons for the shortfall.
  - c. If there is any addition to the production capacity during the year under review or in the immediately preceding two years, this may also be mentioned.
  
- 4. Raw material:**



- a. The cost of major raw material consumed both in terms of quantity and value. Where the cost of transport, etc., of raw material is significant, specify the same separately.
  - b. Consumption of major raw material per unit of production compared with the standard requirements, if any.
  - c. Explanations for variances, if any, in the consumption of major raw material per unit of production as compared to the preceding two years, and with standard requirement, if any.
  - d. Comments on the method of accounting followed for recording the quantities and value of receipts, issues and balances of all material directly used in production.
  - e. Details should be furnished that whether the raw material was a domestic purchase or imported, In case it was imported breakup of cost must be given showing
    - i. Price (in foreign currency)
    - ii. Insurance and freight /travelling expenses
    - iii. Custom Duty/if any
    - iv. Clearing charges
    - v. Other expenses (if any)
- 5. Wages and salaries:**
- a. Total wages and salaries paid for all categories of employees, separately in respect of each of the following, namely: -
    - i. direct labour costs on production;
    - ii. indirect employees' cost on production;
    - iii. employees' cost on administration;
    - iv. employees' cost on selling and distribution;
    - v. bonus to workers and employees;
    - vi. other employees' cost, if any (including taxes and levies); and
    - vii. total employees' cost [total of items (i) to (iv) above].
  - b. Salaries and perquisites of directors and chief executive.
  - c. Total man-days of direct labour available and actually worked for the year.
  - d. Average number of workers employed for the year.
  - e. Direct labour cost per unit of output of the product (give information in respect of each).
  - f. Brief explanations for variances in item (e) above, if any, as compared to the previous two years.
  - g. Comments on the incentive schemes, if any, with particular reference to its contributions towards increasing productivity and its effect on cost of production.
- 6. Stores and spare parts:**
- a. The expenditure per unit of output on stores, etc.
  - b. Comments on the system of stores accounting for recording receipts, issues and balances, both in quantities and values.
  - c. If practicable, the proportion of closing inventory of stores representing items which have not moved for over twenty-four months.
- 7. Depreciation:**
- a. The method of depreciation adopted by the company, e.g. straight line or diminishing balance, etc.

- b. The basis of allocation of depreciation on common assets to the different departments.
- c. The basis of charging depreciation to the cost of products.

**8. Overheads:**

- a. The total amounts of the following overheads and a break-up of items (i), (ii) and (iii) below: -
  - i. Factory overheads.
  - ii. Administration overheads.
  - iii. Selling and distribution overheads.
  - iv. Financial charges
- b. Reasons for any significant variances in the expenditure incurred against the item, included in overheads as compared with previous two years.
- c. The basis of allocation of overheads to cost centers and of absorption to products with brief comments, if any, on the basis of allocation adopted by the company.
- d. Cost of packing, if any, of the products under reference to be shown separately with details to the extent possible.

**9. Royalty/technical aid payments:**

The total amount of royalty/ technical services fees payable for the year and the amount chargeable per unit of the product.

**10. Abnormal non-recurring features:**

- a. If there were any abnormal features affecting production during the year, e.g., strikes, lock-outs, major breakdowns in the plant, substantial power cuts, serious accidents, etc., they shall, wherever practicable, be briefly mentioned indicating their impact on the cost of production.
- b. If there are any special expenses which have been directly allocated to products under reference, the total amount as also the incidence per unit of product shall be shown.

**11. Cost of production:**

The cost per unit of different categories, varieties or qualities of each of the products under reference with comparative figures for the previous year and comments on the reasons of difference.

**12. Sales:**

- a. The sales in quantities and net sales realization of the different categories, varieties or quantities of product under reference showing the average sales realization per unit.
- b. If product under reference is exported, quantity exported, net realization per unit, countries to which exported indicating the profit or loss incurred in export.

**13. Profitability:**

The profit per unit earned on each category, variety or quantity of the products, comments on the comparative profits of different categories of the products per unit as well as in term of per machine hour, etc., and comments on the adequacy or otherwise of product for maximization of profit.

**14. Related party transactions:** Details should be furnished for each sale/purchase made to related party separately. Following details must be shown

- Name and address of the related party
- goods given
- quantity
- amount
- normal price and basis adopted to determine normal price
- transfer price and the related cost to produce and the profit earned, if any on the transfer price

Details of related party transactions without indicating the Normal Price and the basis thereof shall be considered as incomplete information.

**15. Distribution of earning:**

Details need to be shown that how the earnings were distributed to the following parties

- Employees as salaries and wages, retirement benefits etc
- Shareholders as dividends
- Company as retained earnings
- Governments as taxes
- Extra ordinary expenses

**16. 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 goods under such system. The cost variances shall be shown against separate heads and analyzed into material, labour, overheads and further segregated into quantity, price and efficiency variances. The method followed for adjusting the cost variances in determining the actual cost of the goods or services shall be indicated clearly in the cost records. The reasons for the variances shall be duly explained in the cost records and statements.

**17. Cost auditors' observations and conclusions:**

- a. Matters which appear to him to be clearly wrong in principle or apparently unjustifiable.
- b. Cases where the company's funds have been used in a negligent or inefficient manner.
- c. Factors which could have been controlled, but have not been done resulting in increase in the cost of production.
  - i. The adequacy or otherwise of budgetary control system, if any, in vogue in the company; and
  - ii. the scope and performance of internal audit, if any.
- d. Suggestions for improvements in performance, if any, e.g., by-
  - i. rectification of general imbalance in production facilities
  - ii. full utilization of installed capacity;
  - iii. comments on areas offering scope for-
    - I. cost reduction;
    - II. increased productivity;
    - III. key limiting factors causing production bottle-necks
    - IV. improved inventory policies or
    - V. energy conservancy;
  - iv. state of technology, whether modern or obsolete; and
  - v. plant, whether new or second-hand when installed.

**18. Reconciliation with financial statements:**

After the auditor appointed under section 246 of the Act , submits his report, the cost auditor shall submit a supplementary report on reconciliation with financial accounts to the directors before the date fixed for holding the annual general meeting of the company in the manner as given below:

Sr. No	particulars	Current Year	Previous year
1	Profit and loss per cost accounting records		
2	Add: incomes not considered in cost accounts(specify)		
3	Less: expenses not considered in cost accounts		
4	Add: overvaluation of closing stock in financial accounts		
5	Add: undervaluation of opening stock in financial account		
6	Less: overvaluation of opening stocks in financial accounts		

7	Less: undervaluation of closing stocks in financial accounts		
8	Adjustment for other, if any (specify)		
9	Profit or loss as per financial account		

**19. Cost statement:**

Copies of all the cost statements on the formats specified in Schedule to these regulations, duly authenticated by the chief executive and chief financial officer of the company, and verified by the cost auditor, shall be appended to the report.

**20. Miscellaneous:**

As far as practicable, comparison of all figures of cost and production shall be made with the figures of previous year.

**SCHEDULE**

**(i) Class of Companies:**

Public interest, large and medium sized companies falling within the criteria as laid down under the Third Schedule of the Act, in the following class of companies, shall be required to maintain particulars of cost accounting records and prepare cost statements as per relevant Schedule mentioned hereunder:

Sr. No.	Class of Companies	Relevant Schedule
1.	Every company engaged in the production, processing and manufacturing of sugar in any form except liquid.	Schedule I
2.	Every company engaged in the production, processing and manufacturing of Clinker or cement or both.	Schedule II
3.	Every company engaged in the production, processing and manufacturing of vegetable ghee, cooking oil, margarine, bakery shortening and allied products; and in addition to vegetable ghee and cooking oil, any other product such as refined hard oil, margarine or any such product using the same plant or machinery, partly or fully.	Schedule III
4.	Every company engaged in the production, processing and manufacturing of Chemical Fertilizers.	Schedule IV

5.	Every company engaged in milling of Wheat and production of Flour and other extracts in any form.	Schedule V
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[File No. SY/SECP/8/13]

  
( Bilal Rasul )  
Secretary to the Commission

## SCHEDULE I

### I. MATERIALS:

#### (i) Direct Materials:

- (a) Adequate records shall be maintained showing separately the quantity and cost of sugar-cane procured at the factory gate or other collection centres. Where sugar cane is grown in farms owned or taken on lease by the company, detailed records shall be maintained in a mill suitable proforma so as to enable computation of the cost of such sugar cane. The rate fixed by the Government from year to year adopted for pricing the sugar cane supplied by the sugar cane grower (growers) to the sugar shall be indicated in the cost records.
- (b) Where beet is used as raw material for the production of sugar, separate records shall be maintained on the lines similar to sugar-cane.
- (c) A separate proforma must be maintained to record sugar-cane and beet procurement expenses along with other related expenses. These expenses shall be separately determined.
- (d) All issues of materials shall be reconciled with figures shown in Annexure to this Schedule, or in any other form as near thereto as possible. Any losses or surpluses arising as a result of physical verification of inventories and adjustments thereof shall be clearly indicated in the cost records.
- (e) Record of purchase/supply through Indent by suppliers shall be maintained showing the rates at which the various quantities of materials are to be acquired. The records shall indicate principal features of each Indent particularly conditions relating to quantity, quality, price, period of delivery and discounts.
- (f) If the quantity and value of materials consumed in a company are determined on any basis other than actuals for example at standards, the method adopted shall be mentioned in cost records and followed consistently. The overall reconciliation of such quantities and values of materials with the actuals shall be made at the end of the financial year explaining the reasons for variances. The treatment of such variances in determining the cost of items referred to in Para 2 shall be indicated in the cost records.
- (g) The records shall be maintained in such detail as may enable the company to readily provide data required in the various Annexures to this Schedule in a verifiable state.

#### (ii) Process material:

Adequate records shall be maintained to show the receipts, issues and balances, both in quantities and costs of each item of the process material such as lime, sulphur, super phosphate, caustic soda, filter cloth and other chemicals. The cost shall include all direct charges up to works, wherever specifically incurred. The issues of material shall properly be identified with the departments or cost centers.

#### (iii) Consumable stores, small tools, machinery spares etc.

- (a) Adequate 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 the direct charges up to works, wherever specifically incurred.
- (b) In case of small tools, the costs of which are insignificant, the company may maintain such records for the main groups of such items.
- (c) The cost of issues of consumable stores, small tools and machinery spares, shall be charged to the relevant heads of accounts such as repairs to plant and machinery, or repairs to building. Material consumed on capital works such as addition to buildings, plant and machinery and other assets shall be shown under the relevant capital heads.

**(iv) Wastages, spoilages, rejections or Losses etc.:**

Adequate records shall be maintained showing the quantity and cost of wastages, spoilages, rejections and losses of sugar-cane and other raw materials, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, or for any other reason. The method followed for adjusting the above losses as well as the income derived from the disposal of scrap, if any, in determining the cost of the product shall be disclosed in such details as may enable the company to arrive at the net cost of white sugar produced.

## **II. RECONCILIATION OF INDIRECT TAXES**

Adequate record of excise duty and Sales Tax paid and the rebate claimed or earned in case of allowance for excess production or export of sugar shall be maintained along with the record of white sugar manufactured. Calculation for rebate shall be worked out through formula prescribed by the government. The working of the adjustment or claim, if any, shall also be shown.

## **III. SALARIES AND WAGES:**

(a) Adequate record shall be maintained to show the attendance of workers employed by the company whether on regular, seasonal, temporary, or on contract basis, as the case may be. Proper record shall also be maintained in respect of payment made for overtime work and production incentives whether in the shape of production bonus or incentives based on output given to the workers. Payment of any retirement benefits including pension, provident fund, gratuity, old age benefits, contribution and any welfare expenses shall also be included in the labour or factory overhead cost of beneficiary cost center/ department. This will be done in a manner that labour cost is available for each cost center or department and for each product whether by-product or main product so that different Annexures to this Schedule, are filled properly and easily.

(b) Fair and reasonable allocation shall be made for wages paid to such direct labour as has been utilized in more than one departments, between the various departments or cost centers and the basis of such allocation shall be consistently followed. Idle time or lay-off payments shall be recorded separately indicating the reasons and the method of treatment in the calculation of the cost of the items. Any wages paid for additions to plant a machinery or other capitalised assets, shall be capitalized and excluded from the cost statements of white sugar produced.

(c) Benefits paid to the employees other than covered in (a) above shall be worked out separately and shown in the cost statement department wise.

## **IV. SERVICE /DEPARTMENTS**



Adequate records shall be maintained to indicate the expenses incurred for each services department or cost center. In the case of multi-product companies these expenses shall be apportioned to other service and production departments on an equitable basis. Where these service departments serve products other than white bagged sugar suitable bases shall be worked out so that the share apportioned to white bagged sugar is worked out and applied consistently.

## V. UTILITIES

(i) Steam.- Adequate records showing the quantity and cost of steam raised and consumed shall be maintained in such detail as may enable the company to fill up the necessary particulars in Annexure 7 to this Schedule. The cost of steam consumed by the Sugar mill and other units of the company shall be calculated on a reasonable basis and applied consistently. The cost of steam should be allocated to electric power house, white bagged sugar and other users including staff colony and office building etc. Basis adopted for valuation of steam at different pressures shall also be indicated in the records.

(ii) Electric Power.- Adequate record of cost of electric power generated by the company and purchased shall be kept in such details as may enable the company to furnish the necessary cost data as in Annexure 8 to this Schedule. The records shall be so maintained as to enable assessment of consumption of power by different departments or production units or cost centers. Allocation of cost of electric power shall be on the basis of actual consumption, if separate meters are installed; or on the basis of technical estimates in the absence of separate meters. In the case of fixed charges or fuel adjustment surcharge claimed by the utility company, irrespective of the actual power consumed and if the amount payable as per actual consumptions fall below the contractual minimum, the difference between the contractual minimum and the actual amount shall be treated as fixed or period cost and transferred to other factory expenses statement [Annexure 9 of Schedule]. Cost of power consumed in and chargeable to non-production departments, if significant, shall be shown separately. Record shall also be kept for any electric power sold to out-side agencies.

**Note:** In case of self-generation quantity and reasons for under utilization shall be specified and the relevant cost shall be treated as fixed or period cost.

## VI. REPAIRS AND MAINTENANCE

Adequate records showing the expenditure incurred on workshop facilities for repairs and maintenance of buildings, civil works, offices and plant and machinery in different departments and cost centers shall be maintained on regular basis. Details of costs incurred and the basis of allocation of repairs and maintenance expenditure to different departments or production units shall be indicated. Cost of work of capital nature, heavy repairs, and overhaul cost, benefit of which is likely to be spread over a period longer than the financial year, shall be shown separately.

If a separate maintenance team is working for a particular department, the salaries, wages, cost of consumables, spars and tools shall be charged as direct expense of that department.

If the maintenance services are utilized for other products, the portion utilized for them shall be segregated and charged thereto.

## VII. DEPRECIATION

(a) Adequate records shall be maintained showing values and other particulars of fixed assets in respect of which depreciation is to be provided. The records shall, inter alia, indicate the cost of each item of asset, the date of its acquisition, accumulated depreciation, the rate of depreciation and the depreciation charge, for the relevant period.

(b) Basis on which depreciation is calculated and allocated to the various departments and products shall be clearly indicated in the records.

(c) Amount of depreciation chargeable to different departments, production units or cost centres, for the financial year shall be in accordance with the provisions of International Financial Reporting Standards applicable in Pakistan, and shall relate to the plant and machinery and other fixed assets utilized in such departments or units or cost centres. The method once adopted shall be applied consistently.

#### **VIII. INSURANCE**

(a) The record shall be maintained showing the insurance premia paid for the various risks covered on the assets and other interests of the company.

(b) Method of allocating insurance cost to the various departments shall be indicated in the cost records and followed consistently.

#### **IX. OTHER OVERHEADS**

Adequate records showing the amounts comprising the manufacturing overhead expenses other than those already mentioned and details of apportionment thereof to the various departments or processes shall be maintained.

If products other than white bagged sugar are also being produced in the factory, adequate bases should be developed to apportion the overhead cost equitably.

#### **X. BY-PRODUCTS**

Detailed records shall be maintained for each item of by-product showing the production, disposal and balance 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 also be maintained.

#### **XI. WHITE SUGAR TRANSFERRED FOR SELF USE**

Adequate records shall be maintained showing the quantity and cost of white sugar transferred to other units of the company for self consumption. The rate at which such transfers are affected shall be disclosed in the cost records.

#### **XII. WORK-IN-PROCESS AND FINISHED GOODS STOCK**

The method of valuation of work-in-process 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 cost element shall be related to the items referred to in the relevant Annexures to Schedule. The costing method adopted shall be consistently followed. Treatment of differences, if any, on physical verification of stocks with book balances, shall also be indicated in the cost records.

### **XIII. ADJUSTMENT OF COST VARIANCE**

Where the company maintains cost records on any basis other than actuals, such as standard costing, the records shall indicate the procedures followed by the company in working out the actual cost of the product under such systems. 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 reasons for the variances shall be indicated in detail in the cost records.

### **XIV. RELATED PARTY TRANSACTIONS**

In respect of supplies made or services rendered by the company to its holding company or a subsidiary of a company in the same group or 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 understanding 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 other consultancy services.

These records shall indicate the basis followed to arrive at the rates charged between them so as to enable determination of the reasonableness of the rate charged or paid for such services.

### **XV. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS**

- (a) If integrated accounts are not maintained, the cost records shall be periodically reconciled with the financial accounts to ensure accuracy. Variations, if any, shall be clearly indicated and explained.
- (b) The reconciliation shall be done in such a manner that the profitability of each product produced and sold is correctly judged and reconciled with the overall profits of the company from all of its activities.
- (c) Adequate cost records shall be maintained in a manner so that the cost statements may be properly compiled.

### **XVI. STATISTICAL RECORDS**

- (a) Data such as the duration of crushing period, the quantity of each grade of white sugar produced, mill stoppages during the season indicating the reasons, quantity of by-products obtained, percentage of sugar balance, bagasse, press-mud, molasses and sugars shall be kept in detail.
- (b) The data maintained in the cost records shall be reconciled with the periodical returns submitted by the company to excise and other authorities.
- (c) Companies may develop an appropriate standard for use as a basis to evaluate performance properly.

## XVII. ADMINISTRATION, SELLING AND DISTRIBUTION

Adequate records shall be maintained showing the items comprising administration, selling and distribution expenses and apportionment thereof to the different products and the basis of allocation of overhead cost shall be indicated in the records.

## XVIII. COMPANY INFORMATION/ PRODUCTION DATA:

1. Name of the Company.
2. Date of Incorporation.
3. Location of Registered Office.
4. Location of Factory/Factories.
5. Products other than sugar being manufactured.
6. Installed Cane Crushing Capacity in tones.
7. Production data in table below.

S.No (1)	Particulars (2)	Current Year (3)	Previous Year (4)
1 (a)	<b>CANE CRUSHED</b> Date of start Date of Finish Duration of run days Total number of hours in duration Total number of hours of actual crushing Total numbers of hour lost Total cane milled (tonnes) Converted maunds Total mixed juice obtained (tonnes)		
(b)	<b>GUR MELTED</b>		
2	<b>JUICE &amp; ADDED WATER</b> Average mixed juice % cane Average added water % cane		
3	<b>SAGAR MADE</b> Total sugar bagged of all grade (100 kg) ( 50 kg) Sugar bagged (tonnes)  Sugar in process (tonnes)		
4			

5	<p style="text-align: center;"><b>MOLASSES EXTRACTED</b></p> <p>Total molasses sent out (tonnes) Molasses in process (tonnes)</p> <p style="text-align: center;"><b>RECOVERY %</b></p> <p>Laboratory test percentage recovery of sugar cane Average recovery of marketable white sugar % cane Average production of final molasses % cane</p>		
6	<p style="text-align: center;"><b>BY- PRODUCTS</b></p> <p>Bagasses % cane (calculated) (tonnes) V.F. Cake % cane (tonnes)</p>		
7	<p style="text-align: center;"><b>CLARIFICATION PROCESS</b></p> <p>Specify the process used by the mill</p>		

**STATEMENT SHOWING COST OF PRODUCTION & SALE OF  
WHITE BAGGED SUGAR FOR THE YEAR ENDED \_\_\_\_\_**

**Quantitative Data – Bagged Sugar**

Opening Stock (M.Ton)

Production (M.Ton)

Closing Stock (M.Ton)

Sales (M.Ton)

S.No (1)	Particulars (2)	Current Year		Previous Year	
		Amount Rs	Cost per Ton of Sugar	Amount Rs.	Cost per Ton of Sugar
1	Raw Materials				
	a) Sugar Cane (Annex 3)				
	b) Beet (Annex 4)				
	c) Gur				
	d) Raw Sugar				
	e) Process Material (Annex 5)				
2	Salaries/Wages and benefits (Annex 6)				
3	Consumable Stores				
4	Repairs and maintenance				
	<b>Utilities</b>				
5	Steam (Annex 7)				
6	Electric Power (Annex 8)				
7	Water & Gas				
8	Insurance				
9	Depreciation				
10	Other Factory Overheads (Annex 9)				
11	Total Cost				
12	ADD : Opening Stock of W.I.P.				
13	LESS : Closing Stock of W.I.P.				
14	Total Cost of goods Manufacturing				
15	Less: Realisable value of By-Products				
	Molasses				
	Bagasse				
	Others				
16	Net Cost of goods Manufacturing:				
17	Add: Packing Material & Handling				
18	Net Cost of Bagged Sugar				
19	Add: Excise Duty / sales tax				
20	Total Cost of Bagged Sugar:				
21	Add: Opening Stock of Sugar				
22	Less: Closing Stock of Sugar				
23	Cost of Sales				
24	Administrative Expenses (Annex 10)				
25	Selling & Distrib. Expenses (Annex 11)				
26	Financial Expenses				
27	Other Charges				
	Total Cost to Make and Sell				

**STATEMENT SHOWING COST OF SUGARCANE PRODUCED  
FOR THE YEAR ENDED \_\_\_\_\_**

S.No (1)	Particulars (2)	Current Year		Previous Year	
		Quantity Rs (3)	Amount Rs (4)	Quantity Rs. (5)	Amount Rs (6)
1	<p style="text-align: center;"><b>Seeds and Other inputs</b></p> Seed Fertilizers, herbicides etc. Insecticides Abiana/Water Charges Total Cost of Inputs				
2	<p style="text-align: center;"><b>Labour Cost</b></p> Land preparation Plantation Maintenance of cane crop/ratoons Operation of Tractors Harvesting Total Labour Cost				
	<p style="text-align: center;"><b>Other Cost</b></p> Fuel for Tractors operation Maintenance and over haul of Tractors Insurance Interest expenses Depreciation of equipments Rent of agriculture equipments (if any) Total Other Costs				
	Total Cost of own production (1+2+3) Sales value at controlled price Profit/Loss on own production				

- Note: 1. This Annexure will be prepared by those enterprises which cultivate sugarcane on their own farms.  
 2. Similar Annexure will be prepared by those enterprises which cultivate beet on their own farms.

## STATEMENT SHOWING COST OF SUGARCANE CRUSHED FOR THE YEAR ENDED \_\_\_\_\_

S. No.	Particulars	Current Year			Previous Year		
		Quantity M. Ton	Rate Rs./M. Ton	Amount Rs.	Quantity M. Ton	Rate Rs./M. Ton	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Total sugarcane purchased at Government fixed rate						
	Sugarcane produced from own farm (Annex 2)						
	Less: Loss in transit						
2.	Sugarcane received at factory gate						
3.	Commission						
4.	Quality premium						
5.	Loading/unloading charges						
	Cane development expenses:						
	a) Salaries and Wages of Supply and Development Staff						
	b) Sugarcane Development Research						
	c) Supply staff and transportation expenses						
	d) Other expenditure						
6.	Taxes and Levies:						
	a) Cane cess/ purchase tax						
	b) Market committee fee						
	c) Road cess						
	d) Octroi						
	e) Other levies						
7.	Transportation Charges						
	a) Delivery expenses						
	b) Transport subsidy						
	c) Others						
8.	Other Expenditures at Cane Collection Centers						
	a) Salaries and Wages						
	b) Stores						
	c) Repairs and Maintenance						
	d) Others						
9.	Total cost of "SUGARCANE" Transferred to production processes (Annex 1)						

- Notes:
1. Cane supplied from own farm shall be charged at controlled rate & the profit/loss on farm shall be taken to profit & loss account directly.
  2. All expenses relating to own farm shall be excluded from this Annexure.
  3. Where beet is used in addition to sugarcane, separate Annexures shall be maintained on similar lines for beet also.



## STATEMENT SHOWING COST OF BEET CONSUMED FOR THE YEAR ENDED \_\_\_\_\_

S. No. (1)	Particulars (2)	Current Year			Previous Year		
		Quantity M. Ton (3)	Rate Rs./M. Ton (4)	Amount Rs. (5)	Quantity M. Ton (6)	Rate Rs./M. Ton (7)	Amount Rs. (8)
1.	Total beet purchased at Government fixed rate Less: Loss in transit Beet received at factory gate						
2.	Commission paid						
3.	Loading unloading						
4.	Beet development expenses: a) Salaries and Wages of Supply and Development Staff b) Sugar Development Research c) Supply staff and transportation expenses d) Other expenditure						
5.	Taxes and Levies (if any) a) Purchase tax b) Market committee fee c) Road cess d) Octroi e) Other levies.						
6.	Transportation Charges: a) Delivery expenses/travelling from purchases centre to mill gate b) Transport subsidy c) Others						
7.	Other Expenditures at Beet Collection Centers a) Salaries and Wages b) Stores c) Repairs and Maintenance d) Others						
8.	Total cost of "BEET" Transferred to production processes (Annex 1)						

- Notes: 1. Beet supplied from own farm shall be charged at controlled rate & the profit/loss on farm shall be taken to profit & loss account directly.
2. All expenses relating to own farm shall be excluded from this Annexure.
3. Where sugarcane is used in addition to beet, separate Annexures shall be maintained on similar lines for sugarcane also.

**Annexure 5**

**STATEMENT SHOWING COST OF PROCESS MATERIAL CONSUMED  
FOR THE YEAR ENDED \_\_\_\_\_**

S.No (1)	Particulars (2)	Current Season		Previous Season	
		Amount Rs	Cost per Ton of Sugar	Amount Rs.	Cost per Ton of Sugar
	Total Sugar Produced (M-Tons)				
1.	Unslaked Lime				
2.	Phosphoric Acid				
3.	Filter Acid				
4.	Sulphur				
5.	Caustic Soda				
6.	Soda Ash				
7.	Tri sodium Phosphate				
8.	Bleaching Powder				
9.	Anti Foam				
10.	Formaline				
11.	Laboratory Chemicals				
12.	Filter Cloth				
13.	Sewing Thread				
14.	Cleaning Brushes				
15.	Lubricant and Grease				
16.	Other (Specify)				
	Total				
	Less allocated to				
	(a) Electricity generation				
	(b) Steam Generation				
	(c) Raw Material				
	(d) Admin Expenses				
	(e) Selling and Distribution Expenditure				
	(f) Any Other Specify				
	Balance transferred to production process Annexure 1.				

STATEMENT SHOWING COST OF SALARIES, WAGES AND BENEFITS  
FOR THE YEAR ENDED

S.No	Particulars	Current Year		Previous Year	
		Amount Rs	Cost per Ton of Sugar	Amount Rs.	Cost per Ton of Sugar
(1)	(2)	(3)	(4)	(5)	(6)
	<b>Total Sugar Produced (M-Tons)</b>				
	<b>Cost</b>				
1.	<b>Salaries/Wages:</b>				
(i)	Officers and Permanent Staff				
(ii)	Seasonal Staff				
(iii)	Daily rated and Contract Labour				
(iv)	Bonuses				
2.	<b>Benefits:</b>				
(i)	Medical Expenses				
(ii)	Canteen Expenses				
(iii)	Welfare, Recreation				
(iv)	Transport and Travelling				
(v)	Education Cess/Expenses				
(vi)	Group Insurance/Workmen				
(vii)	Comp. Insurance				
	Prov. Fund (Employer's Contribution)				
(viii)	Gratuity/Pension				
(ix)	Other Benefits (if any)				
(x)					
(xi)	Total				
	<b>Less allocated to-</b> (a).				
	Electricity Generation				
	(b). Steam Generation				
	(c). Raw Material				
	(d). Admin Expenses				
	(e). Selling & Distribution Expenses				
	(f). Any Other Specify				
	Balance transferred to production process (Annexure)				

**STATEMENT SHOWING COST OF STEAM/GENERATED CONSUMED  
FOR THE YEAR ENDED**

S.No (1)	Particulars (2)	Unit (3)	Current year (4)	Previous Year (5)	Variance (6)
1.	Types of steam boilers used				
2.	No. of days worked				
3.	Installed Capacity (steam in tonnes) Utilised				
4.	capacity (steam in tonnes) Production:				
	a) High pressure steam				
	b) Medium pressure steam				
	c) Low pressure steam				
	d) Less: transit losses				
	e) Total				
5.	Percentage of capacity utilization $(3/2 * 100)$				

S. No. (1)	Particulars (2)	Current Year			Previous Year		
		Quantity (3)	Rate per Unit Rs. (4)	Amount Rs. (5)	Quantity (6)	Rate per Unit Rs. (7)	Amount Rs. (8)
1.	Water Fuels:						
2.	a) Bagasse						
	(i) Own						
	(ii) Purchased						
	b) Pith						
	c) Coal purchased						
	d) Furnace Oil						
	e) Fire Wood						
	f) Gas						
	g) Other fuels, if any (to be specified)						
3.	Quantity of waste heat from the plant, if any						
4.	Consumable stores						
5.	Direct salaries, Wages and benefits						
6.	Repairs and Maintenance						
7.	Other direct expenses (e.g. Boiler inspection fee etc.)						
8.	Insurance						
9.	Depreciation						
	Total Cost of Steam Raised						
	Less : Outside sale						
10.	Total Cost of Steam for Self Consumption						
	Add: Cost of steam purchased						
	Total Cost of Steam Consumed						
11.	<b>ALLOCATION</b>						
12.	Total of item 12 allocated to						
	i) White bagged sugar						
	ii) Electric power house						
	iii) Others:						
	a) Staff colony						

	b) Office building etc.						
	Total						

- Notes: 1. The rate at which waste heat is evaluated vide item 3 of this annex should be indicated giving details of cost centre from which transferred.  
 2. Basis adopted for valuation of steam at different pressures be also indicated in the records.  
 3. Realisations, if any, by sale of steam to outside parties and waste products such as boiler ash shall be shown separately against item 10.  
 4. Where meters are not installed, consumption of steam shall be assessed on a reasonable basis and applied consistently.

Annexure 8

STATEMENT OF COST OF ELECTRIC POWER PURCHASED / GENERATED & CONSUMED  
 FOR THE YEAR ENDED \_\_\_\_\_

Current Year	Previous Year	Variance

- Installed Capacity (KWH)  
 2. No. of units generated (KWH)  
 3. No. of units purchased (KWH)  
 4. Total (2+3)  
 5. Consumption in Power House including other losses.  
 6. Net units consumed (4-5)  
 7. Percentage of Consumption and losses to total units Available = 5/4 \* 100  
 8. Percentage of power generated to installed capacity 2/1 \* 100

S. No	Particulars (2)	Current Year			Previous Year		
		Quantity M. Ton (3)	Rate Rs./M. Ton (4)	Amount Rs. (5)	Quantity M. Ton (6)	Rate Rs./M. Ton (7)	Amount Rs. (8)
(1)							
1.	Steam (Annex 7)						
2.	Consumable Stores						
3.	Salaries and Wages						
4.	Other direct expenses						
5.	Repairs and maintenance						
6.	Duty on electricity						
7.	Depreciation						
	Total						
8.	Less: a) Credit for exhaust steam used in process etc. b) Other credits, if any						
9.	Cost of power generated						
10.	Less: Cost of power sold						
11.	Add: Cost of power purchased						
12.	Total net cost of power consumed						
13.	Cost per unit average						
	<b>ALLOCATIONS</b>						
	Total at item 12 allocated to:						
e)	White bagged sugar						
	ii) Self consumption						
	iii) Others:						
	a) Staff colony						

	b) Office building						
	c) Other (specify)						
9	Total						

Notes: 1. Credit for the cost of exhaust steam supplied to the sugar factory and for other units shall be determined on a reasonable basis and shown against item 8(a).

2. Realisation, if any, by sale of steam to outside parties, etc. shall be shown separately against item 8(b).

3. Cost per unit shall be worked out with reference to the net units of power available for use after deducting consumption in the power house and other losses.

Annexure 9

### STATEMENT SHOWING OTHER FACTORY OVERHEADS FOR THE YEAR ENDED \_\_\_\_\_

S. No	Description	Amount in Rupees			
		Current Year		Previous Year	
		Amount Rs	Cost per Ton of Sugar	Amount Rs.	Cost per Ton of Sugar
	<b><u>Total Sugar Produced (M-Tons)</u></b>				
	<b>Cost</b>				
1.	Rent, Rate and Taxes				
2.	Printing & Stationery				
3.	Postage & Telegram				
4.	Telephone Fax & Telex				
5.	Travelling & Conveyance				
6.	Subscriptions, Books & Periodicals				
7.	Entertainment				
8.	Vehicle Running Expenses				
9.	Security				
10.	Fire Fighting				
11.	Other Expenses				
12.	Total				
	Allocated to				
	i) White bagged sugar ii)				
	Electric Power House				
	iii) Steam Generation iv)				
	Others:				
	a) Staff colony				

	b) Office building etc				
	Total as per item 12 above				

Note: 1. Bases of allocation should be disclosed.

2. Expenses are illustrative only. Companies should provide in detail all items of general overheads.

Annexure 10

**STATEMENT SHOWING ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED \_\_\_\_\_**

S. No	Particulars	Current Year		Previous Year	
		Amount Rs	Cost per Ton of Sugar	Amount Rs.	Cost per Ton of Sugar
1.	Total Sugar Sold (M-Tons)				
2.	Cost				
-	Salaries, Wages & Benefits (Annex 6)				
-	Rent, Rate and Taxes				
-	Insurance				
-	Water, Gas & Electricity				
-	Printing & Stationery				
-	Postage & Telegram				
-	Telephone Fax & Telex				
-	Repair & Maintenance				
-	Travelling & Conveyance				
-	Subscriptions, Books & Periodicals				
-	Entertainment				
-	Advertising				
-	Legal & Professional Exp				
-	Auditors remuneration				
-	Vehicle Running Expenses				
-	Charity & Donation				
-	Others				
-	Total				

## STATEMENT SHOWING SELLING EXPENSES DURING THE YEAR ENDED

S.No.	Particulars	Current Year		Previous Year	
		Amount Rs	Cost per Ton of Sugar	Amount Rs.	Cost per Ton of Sugar
1.	Total Sugar Sold (M-Tons)				
2.	Cost				
-	Salaries, Wages & Benefits (Annex 6)				
-	Travelling & Conveyance				
-	Commission				
-	Freight Outwards				
-	Stacking/Restacking				
-	Loading/Unloading				
-	Export Expenses				
-	Vehicle Running Expenses				
-	Advertising for Sales Promotion				
-	Other Expenses				
-	Total				



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## SCHEDULE II

Subject to the provisions of paragraph 1 (c) of this Schedule, cost records on quantitative and money value basis shall be maintained in respect of each of the following departments as applicable to each company: -

1.	Quarry .. .. .	Annexure I
2.	Transportation .. .. .	Annexure II
3.	Crusher .. .. .	Annexure III
4.	Stock hall (where applicable) .. .. .	Annexure IV
5.	Raw mill .. .. .	Annexure V
6.	Kiln .. .. .	Annexure VI
7.	Grinding .. .. .	Annexure VII
8.	Packing and storage .. .. .	Annexure VIII

Note:

- (a) The cost record regarding cement stored in silos shall be covered in record of the grinding department; and
- (ii) The cost record regarding packed cement shall be covered in record of the packing and storage department.

Cost of these departments are to be classified as "direct departmental cost" and "indirect departmental cost" so as to conform to or as near thereto as possible to such detailed headings as described in the various annexures. Indirect departmental cost represents cost of service departments such as those producing compressed air (Annexure IX), power (Annexure X) and other general expenses (Annexure XI). The indirect departmental cost shall be transferred to the above production departments.

Cost of each production department i.e. total of direct and indirect departmental cost, shall be transferred to the next production department on the basis of quantity of output transferred out to next department.

Annexure XII represents a Summary of all production costs for a cement factory as derived from Annexure I to XI.

Important items of costs have been described in the following paragraphs:

### 1. **Raw Materials:**

- (1) Adequate records shall be maintained showing receipts issues and balances, both in quantities and values of each of raw material required for manufacture of

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clinker or cement. The basis on which the value of receipts and issues have been calculated shall be clearly indicated in the cost records maintained or, if so desired by the company, in a separate manual of procedure, if any, maintained by the company or in foot notes or separate explanatory notes to the cost statements for the relevant period. Such basis shall be paid consistently throughout the

relevant period. The values shall include all direct charges up to works such as royalty, excise duty, haulage, transport, freight, handling and insurance:

- (a) All issues of production materials shall be reconciled in Annexures I to VIII, or in any form as near thereto as possible. Any losses or surpluses arising as a result of physical verification of inventories and adjustment thereof shall be clearly indicated in the cost records. Statutory records liable to be maintained under Mining and Explosive Acts and rules may be considered adequate if they meet the requirements specified here.
- (b) Record of quarrying contracts, purchases and supply entered into with lessors and suppliers will be maintained showing the rate at which the various quantities of materials are to be supplied. The record shall indicate principal features of each contract, particularly conditions relating to the quality, price and period of delivery, discount for any transit losses and terms of payment including cash discounts, if any, and compensation the supplier shall pay for delay in delivery or non-delivery. The records shall also show the deliveries received against each contract of supply of materials till the contracted quantities are received in full. The lease and supply contracts shall also indicate the conditions relating to rebate for quality variations in chemical composition, colour and moisture content in case of limestone of particular quality, clay, shale and gypsum in case of white cement, iron slag in case of slag cement and in case of other materials usual quality standards shall be specified in the supply contracts for the purpose of rebates.
- (c) Where some items of the raw materials are raised from mines owned or leased by the companies or are produced or manufactured by them, separate records showing the cost of raising, producing and manufacturing such raw materials shall be maintained in such detail as may enable the company to fill up the necessary particulars in the annexures or in proforma as near thereto as possible. Where such items of raw materials are obtained on the basis of supply contracts Annexures I, II or III and not required otherwise, need not be maintained.

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- (d) The cost, in addition to the basic price of the materials shown in the records, shall also include all other direct charges incidental to the procurement of production materials and transporting the same up to the factory. In case of own quarry of limestone, records of overburden raised shall be kept in terms of cost incurred. The basis of distributing the cost of removal of overburden over the entire period of quarry working in the particular area shall be determined and consistently applied.
  - (e) Any wastage, whether in handling, transit, storage or in any other stage, shall be shown separately. The method of dealing with such losses in the calculation of cost shall also be indicated in the cost records. Realisable value of any waste material or by-product recovered or sale proceeds of any process material such as clinker shall be credited to the cost of such process to arrive at the net cost of cement.
  - (f) The records shall be maintained in such detail as may enable the company to compile the cost in the various annexures.

**2. Labour:**

- (a) Adequate record shall be maintained to show the attendance of workers employed by the company whether on regular, temporary or piece-rate basis or on contract basis, as the case may be. Proper record shall also be maintained in respect of payments made for overtime work and production incentives given to the workers. This will be done in a manner that labour cost is available for each cost centre.
- (b) Fair and reasonable allocation shall be made for wages paid to such labour as has been utilised in more than one department, between the various departments or cost centres and the basis of such allocation shall be consistently followed. Reasons for idle time or lay off payments shall be recorded along with the method of treatment in the calculation of the cost of the items referred to in subparagraph (2) of paragraph 1. Any wages paid for additions to plant and machinery or other fixed assets, shall be excluded from the cost of production.
- (c) Benefits paid to the employees other than covered in (a) above shall be worked out separately and shown in the cost statement department-wise.

**3. Furnace Oil/Gas:**

- (a) Adequate records shall be maintained to ascertain the cost of furnace oil/gas purchased and furnace oil/gas charged to different departments. In case the

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cost of furnace oil/gas is allocated to different departments on any basis other than the actual cost, reconciliation with the actual cost and the treatment of variances, shall be indicated in the cost records.

- (b) Adequate record shall be maintained showing measurement of furnace oil before and after each filling in such a manner that quantity purchased is reconciled with the addition is stock on each filling.
- (c) The records shall be maintained in such details as may enable the company to compile the cost data in the annexures.

**4. Electric Power:**

- (a) Adequate records, showing quality and cost of electric power generated and purchased with fixed charges and duties incurred thereon, shall be maintained.
- (b) Where electric power is generated by the company itself or by its wholly owned subsidiary or a sister concern, separate records shall be maintained in such details as may enable the company to compile cost data in Annexure X.
- (c) The records shall be so maintained as to enable assessment of consumption of power by different departments or manufacturing units or cost centres. Allocation of cost of electric power shall be on the basis of actual consumption if separate meters are installed: or on the basis of technical estimates in the absence of separate meters. In the case of fixed charges or fuel adjustment surcharge claimed by KESC, WAPDA or any other supplier of electricity, irrespective of the actual power consumed and if the amount payable as per actual consumption falls below the contractual minimum, the difference between the contractual minimum and the actual amount shall be treated as fixed or period cost and transferred to Annexure XI. Cost of power consumed in and chargeable to nonmanufacturing departments, if significant, shall be shown separately.

**5. Consumable Stores:**

- (a) Record of each item of consumable stores shall be maintained to show receipts, issue and balances, both in quantities and values, required or actually used.
- (b) Cost of consumable stores shall include all direct charges incidental to procurement of each item up to the factory. The cost of such stores consumed shall be charged to relevant departments on the basis of actual consumption. The items issued for capital expenditure, such as additions to plant and machinery, shall be shown under relevant capital expenditure heads and not in the cost statements.

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- (c) The requirements of Mining Act 1923 with relevant rules made thereunder, shall be fully complied with. In the same manner, requirements of Explosives Act, 1884, and Explosive Rules, 1940, shall also be complied with as required in this behalf as far as acquisition, storage and consumption of explosives for quarrying purposes is concerned.
  - (d) Wastage of consumable stores, whether in transit, storage or at any point, shall be quantified and shown separately. Method of dealing with such losses in costing shall be indicated in the cost records.

6. **Repairs and maintenance:**

Adequate records showing expenditure incurred on in-house repair and maintenance, and repair and maintenance through outside agencies shall be maintained. Records of workshop for quarrying of lime stone and clay shall be kept separately and costs charged to quarrying operation. Details of cost determination and their basis of allocation of repairs and maintenance expenditure to different departments or manufacturing units or cost centres shall be inducted. Cost of work of capital nature, of heavy repairs, maintenance and overhaul cost, benefit of which is likely to spread over a period longer than one financial year shall be shown separately.

7. **Compressed Air:**

Appropriate record of cost of compressed air incurred in connection with the generation of compressed air, if centralised and provided for the consuming departments, shall be maintained in sufficient details as may enable the company to compile the cost data to be charged as part of other manufacturing over heads in Annexure IX.

8. **Depreciation:**

- (a) Adequate records preferably in the form of an annexure shall be maintained showing values and other particulars of fixed assets in respect of which depreciation is to be provided. The records shall inter alia indicate the cost of each item of asset, the date of its acquisition, its economic life and the rate of depreciation.
- (b) Basis on which depreciation is calculated and allocated to the various departments and products shall be clearly indicated in the records.
- (c) Amount of depreciation chargeable to different departments, manufacturing units or cost centres for the financial year shall be in accordance with the International Financial Reporting Standards as applicable in Pakistan, and shall relate to the plant and machinery and other fixed assets utilised in such

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departments or units or cost centres. The method once adopted shall be applied consistently.

9. **Insurance:**

- (a) Record shall be maintained showing the insurance premia paid for the various risks covered on the assets and other interests of the company.
- (b) Method of allocating insurance cost to the various departments shall be indicated in the cost records and followed consistently.

10. **Other Overheads:**

Overheads items which cannot conveniently be identified or apportioned over individual departments may be accumulated in Annexure XI and prorated over various departments on such basis or such one or more bases as may be deemed necessary. The basis or bases of apportionment shall be stated in the said Annexure.

11. **Administration, Selling and Distribution Expenses:**

Adequate records shall be maintained showing the items comprising administration, selling and distribution expenses and apportionment thereof to the different grades of cement if produced in the same factory. If clinker is being sold in addition to cement, the basis of allocation of these expenses shall be indicated records. If only one grade of cement is being sold, the entire amount of administration, selling and distribution expenses may be allocated to that grade.

12. **Work-in-process and Finished Goods Inventories:**

Record of work-in-process inventories at each stage of process, quarrying, transpiration, raw material crushing, stock hall, raw material mixing and grinding, clinking, clinker grinding cement in soils and packing and storage shall be maintained and inventories will be physically checked and verified at the close of the financial period and duly reconciled with the books of accounts. Automatic data recording devices built into the crushing, mixing, clinkering and other plants, if available, may be utilised for reconciling in-put and out-put. Measurement of furnace oil will be done before and after each filling. Method of valuation of work-in-process and the finished goods inventories shall be indicated in the cost records so as to reveal the cost elements which have been taken into account in such computation. The cost elements shall be related to the items referred to the Annexures. The costing method adopted shall be consistently followed. Treatment of differences, if any, on physical verification of stocks with book balances, shall also be indicated in the records. Special care shall be

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thane or moisture absorption and drying of limestone and clay because of weather conditions.

**13. Packing**

- (a) Adequate records as required for the purposes of Annexure VIII shall be maintained showing the cost of packing materials used and direct wages and other expenses incurred in respect of different types and weights of packages. In case of bulk supplies, necessary cost adjustments will be made.
- (b) Adequate records shall be maintained showing quality, rate and value of packing material charged to the cost of sale.
- (c) Where packing material is produced in-house by the company, the record shall reflect the method of its valuation. In case packing material is purchased from a subsidiary or an associated company, the record shall disclose the name of such company and the purchase agreement with such company. The record shall the purchase agreement with the supplier even if it is an outside company/party.

**14. Statistical Statements and other Records:**

Companies shall develop appropriate standards for use as a basis to evaluate performance. Quality reports based on standards of strength as per B.S.S. or other standards adopted by the industry may be maintained. Consumption ratios such as yield of explosives, furnace oil per ton of clinker, usage of clinker per ton of cement, percentage of gypsum, slag in cement, power consumption in terms of kwh for per ton of cement produced, etc., are also recommended to be worked out and compared with last year.

**15. Reconciliation of Cost and Financial Accounts:**

- (a) If integrated accounts are not maintained, the cost records shall be periodically reconciled with the financial accounts to ensure accuracy. Variations, if any, shall be clearly indicated and explained.
- (b) The reconciliation shall be done in such a manner that the profitability of each product produced and sold is correctly judged and reconciled with the overall profits of the company from all of its activities.
- (c) Adequate cost records shall be maintained in a manner so that the cost statements may be compiled.

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**16. Reconciliation of Indirect Taxes**

Adequate record of excise duty and Sales Tax paid and the rebate claimed or earned in case of allowance for excess production or export of cement shall be maintained. Calculation for rebate shall be worked out through formula prescribed by the government. The working of the adjustment or claim, if any, shall also be shown

**17. Related Party Transactions**

In respect of supplies made by the company to its holding company or a subsidiary of a company in the same group or 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 understanding reached, in respect of: -

- (a) Purchase and sale of raw materials and process materials;
- (b) Utilization of plant facilities;
- (c) Supply of Utilities; and
- (d) Administrative, technical, managerial and other consultancy services

These records shall indicate the basis followed to arrive at the rates charged between them so as to enable determination of the reasonableness of the rate charged or paid for such services.



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## Annexure - I

### DEPARTMENTAL COST STATEMENT

(One sheet for each quarry item)

Name of Department: **LIMESTONE, CLAY GYPSUM, QUARRY FOR THE YEAR ENDED: \_\_\_\_\_**

#### A. Quantitative data

Opening stock at quarry, Quantity quarried Total:	For the Year: _____ tones	Last year tonnes	Increase/decrease Over last year tonnes
Quantity transported to crusher			
Stock adjustment (if any)			
Closing stock at quarry			

Reason for adjustment

#### B. Cost Statement

Cost	For the year		Last year	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne
<i>Direct Departmental Cost:</i>				
Explosives (if any)				
Royalty and duties				
Labour cost.				
Salaries				
Employee's other benefits				
Indirect materials				
Insurance				
Repair & maintenance				
Fuel oil				
Gas				
Depreciation (Annex.....)				
Other overheads				
Sub-total:				

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**Indirect Departmental Cost:**

Compressed Air (Annexure IX)

Power (Annexure X).

Other factory expenses (Annexure XI).

Sub-total:

Total cost of the period

*Add:* cost of opening stock

Total cost of available stock:

**C. Cost Distribution**

Cost transferred to crusher

Cost of closing stock

Total cost accounted for

**Annexure - II****DEPARTMENTAL COST STATEMENT**Name of Department: **TRANSPORTATION FOR THE YEAR ENDED:** \_\_\_\_\_**A. Quantitative data**

Quantity transported from quarry	For the Year: _____ tonnes	Last year tonnes	increase/decrease tonnes
i- Clay/shale			
ii- Lime Stone			
iii- Gypsum.			

**B. Cost Statement**

Cost	For the year		Last year		Increase/ decrease	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne

---

**Direct Departmental Cost:**

(a) Outside contract cost of transportation:

- i- Clay/Shale
- ii- Lime Stone
- iii- Gypsum

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Sub-total:

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(b) Own Transportation Cost:

- Duties (if any)
- Labour costs
- Salaries
- Employee's other benefits
- Indirect material
- Insurance
- Repair and maintenance
- Fuel oil
- Greases
- Gas
- Tyres and tubes
- Depreciation (Annex.....)
- Other Overheads

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Sub-total:

---

**Indirect Departmental Cost:**

- Compressed Air (Annexure IX)
- Power (Annexure IX)
- Other Factory Expenses

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Sub-Total:

---

Total own transportation cost.

---

(c) Total transportation cost.

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**C. Cost Distribution**

Appointed to:

- i- Clay/Shale
- ii- Lime Stone
- iii- Gypsum

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Total:

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### Annexure - III

#### DEPARTMENTAL COST STATEMENT

Name of Department: **RUSHING FOR THE YEAR ENDED:** \_\_\_\_\_

#### A. Quantitative data

	Clay/Shale tonnes		Lime Stone tones		Gypsum tonnes	
	For the year	Last year	For the year	Last year	For the year	Last year
Opening Stock (uncrushed material). <i>Add:</i> Received from quarry/purchase.						
Total available for crushing:						
Less: closing stock (uncrushed material). Crushed during the period.						
<i>Add:</i> Opening stock (Crushed material)						
Total crushed material:						
Less: Closing stock (crushed material)						
Stock reconciliation: Transferred to raw mill Stock adjustment						
<b>Total:</b>						

	<u>For the year</u>		<u>Last year</u>	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne
<b>Direct Departmental Cost:</b>				
Direct material (if any)				
Labour Cost				
Salaries				
Employee's other benefits				
Indirect material				
Repair and maintenance				
Insurance				
Fuel oil				
Greases				
Gas				
Depreciation (Annex.....)				
Other Overheads				
<hr/>				
Sub-total (a):				
<hr/>				
<b>Indirect Departmental Cost:</b>				
Compressed Air (Annexure IX)				
Power (Annexure IX)				
Other Factory Expenses				
Sub-total (b):				
Total Cost (a+b):				

## C- Cost Distribution

(On time or other appropriate basis)

	<u>For the year</u>		<u>Last year</u>	
	Rs. in 000	Rs. per tonne	Rs. in 000	Rs.
Clay/Shale				
Lime Stone				
Gypsum.				

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**D- Cost Transferred and Cost of Closing**

Stock cost summary

Clay/Shale Lime Stone Gypsum

- 
- a- Opening Stock (Uncrushed).
  - b- Cost received (during the year)
  - c- Total cost for uncrushed material (a+b)
  - d- Cost applicable to closing stock (uncrushed)
  - e- Cost applicable to crushed material (c-d).
  - f- Cost of crushing process (from above).
  - g- Opening stock (crushed material).
  - h- Total cost applicable to crushed material (e+f+g)
  - i- Closing stock (crushed material)
  - j- Cost transferred to stock hall (Raw material storage) (h-i)
- 

**Annexure - IV**

**DEPARTMENTAL COST STATEMENT**

Name of Department: **STOCK HALL STORAGE/ISSUAGE OF RAW MATERIAL FOR**  
**THE YEAR ENDED: \_\_\_\_\_**

**A. Quantitative data**

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	Clay/Shale tonnes	Lime Stone tones	Gypsum tonnes
Opening Stock	For the	For the	Last For the
Received from crusher	Last	Last	Last
Purchased.	year	year	year year
Total			
Issued to mix/slurry			
Stock adjustment			
Closing stock.			

---

**B- Cost Statement:**

---

	For the year	Last year
	Rs. 000 per tonnes	Rs. 000 per tonnes

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*Labour cost:*

Salaries  
Employee's other benefits  
Indirect material  
Repair and maintenance  
Insurance  
Fuel-oil  
Gas  
Depreciation (Annex.....)  
Other Overheads (Annex.....)

---

Sub-Total (a):

***Indirect Departmental Cost:***

Compressed Air (Annexure IX)  
Power (Annexure IX)  
Other Factory Expenses

---

Sub-total (b):

Total Cost (a+b):

---

**C- Cost Distribution**

---

Quality issued to Raw Mill (Tonnes)	Cost of Stock Hall Applicable to issues		Cost Applicable to closing stock	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne

---

Clay/Shale.  
Lime Stone  
Gypsum  
Total

---

**D- Cost Summary (Upto Stock Hall Stage)**

Cost transferred and cost of closing stock:

---

Quantity Received (Tonnes)	<u>Clay Shale</u>	<u>Lime Stone</u>	<u>Gypsum Total</u>
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Quantity Issued (Tonnes)	Rs. 000	Per tonne	Rs. 000	Per tonne	Rs. 000	Per tonne
Opening Stock						
Add: Received from Crusher/purchases. Stock Hall						
Cost						
Total:						
Less:						
Cost of Closing stock						
Cost Applicable to Quantities Issued to Raw Mill.						

## Annexure - V

### DEPARTMENTAL COST STATEMENT (Separate sheet for wet/dry process)

Name of Department: RAW MILL (FOR MIX/SLURRY) FOR THE YEAR  
ENDED: \_\_\_\_\_

#### A. Quantitative data

	Clay/Shale tonnes		Lime Stone tonnes		Mix/Slurry tonnes	
	For the year	Last year	For the year	Last year	For the year	Last year
Opening Stock						
Received from stock.						



---

Total:

Issued for Mix/Slurry

Total Mix/Slurry made

Mix/Slurry transferred to clinkering

Stock adjustment

Closing stock

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**B- Cost Statement:**

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	For the year Rs. 000 per tonnes	Last year Rs. 000 per tonnes
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*Direct Material:*

1- Opening stock

2- Received from stock hall

3- Total

4- Closing stock

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Cost of raw materials processed (3)-(4)

Cost of opening stock

Direct Departmental Costs

Materials added eg. Laterite

Labour

Salaries

Employee's other benefits

Grinding material

Lining plates

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Indirect material

Repair and maintenance

Water

Fuel-oil

Gas

Depreciation (Annex.....)

Other Overheads

---

Sub-Total (a):

*Indirect Departmental Cost:*

Compressed Air (Annexure IX)

Power (Annexure IX)

Other Factory Expenses (Annexure IX)

---

Sub-total (b):

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Total Cost (a+b):

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C- Cost Distribution

	<u>For the year</u>		<u>Last year</u>	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne
Transferred to Kiln				
Closing stock of mix/slurry				
Total:				

**Annexure - VI**

**DEPARTMENTAL COST STATEMENT**  
(Separate sheet for wet/dry process Clinker)

Name of Department: KILN FOR THE YEAR ENDED: \_\_\_\_\_

**A. Quantitative data**

	<u>For the year</u> tonnes	<u>Last year</u> tonnes
Opening Stock		
Quantity received from Raw Mill.		
Total:		
Quantity fed into (the) Kiln.		
Stock adjustment		
Closing stock		

---

Clinker produced  
 Opening stock clinker  
 Total:  
 Clinker transferred to Grinding  
 Clinker sold  
 Stock adjustment  
 Closing stock of clinker.

---

Total:

---

**B- Cost Statement:**

	For the year		Last year	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne
<i>Cost received from Raw Mill:</i>				
1- Opening stock				
2- Received during the year				
3- Total				
4- Closing stock				

---

Cost to be charged to the process (3)-(4).

Direct Departmental cost:

Material added (if any).

Labour

Salaries

Employee's other benefits

Indirect materials.

Fuel-oil

Gas

Repair and maintenance

Depreciation (Annex.....X)

Other Overheads

---

Sub-Total (a):

**Indirect Departmental Cost:**

Compressed Air (Annexure IX)

Power (Annexure IX)

Other Factory Expenses (Annexure IX)

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Sub-total (b):

Total Cost (a+b):

Less: value of clinker sold (if any)

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### C- Cost Distribution

	<u>For the year</u>		<u>Last year</u>	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne
Cost transferred to Grinding				
Cost of Closing stock of Clinker				
Total:				

### Annexure - VII

#### DEPARTMENTAL COST STATEMENT

Name of Department: GRINDING (CEMENT) FOR THE YEAR ENDED: \_\_\_\_\_

#### A. Quantitative data

	<u>For the year</u> tonnes	<u>Last year</u> tonnes
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Opening Stock (Clinker)  
 Clinker received from kiln.  
 Total:  
 Clinker fed into grinding  
 Stock adjustment.  
 Closing stock of clinker.

---

	Tonnes	Tonnes
Opening stock of cement		
Cement produced.		
Cement produced as % of input		
Cement transferred to silos.		
Stock adjustment		
Closing stock of cement.		

**B- Cost Statement:**

---

	<u>For the year</u>		<u>Last year</u>	
	Rs. in 000	Rs. Per tonne	Rs. In 000	Rs. Per tonne

*Cost received from Kiln:*

- 1- Opening stock
  - 2- Received during the year for clinker
  - 3- Total cost of clinker.
- 
- 4- Cost of Closing stock of (Clinker)

---

Cost of clinker fed to Grinding process (3)-(4).

Direct Departmental cost:

Material added

Gypsum

Slag

Others

Royalty/duties

Labour

Salaries Employee's

other benefits Indirect  
materials.

Repair and maintenance

Grinding materials

Lining plates

Fuel-oil

Gas

Depreciation (Annex.....X)

Other Overheads

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Sub-Total (a):

Indirect Departmental costs:

Compressed air (Annex IX)

Power (Annex X)

Other factory expenses (Annex XI)

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Sub-Total (b)

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Total cost (a+b)

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**C- Cost Distribution**

Cost transferred to silos

Cost of closing stock of cement.

---

Total

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**Annexure - VIII**

**DEPARTMENTAL COST STATEMENT**

Name of Department: **PACKING & STORAGE FOR THE YEAR ENDED:** \_\_\_\_\_

**A. Quantitative data**

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	<u>For the year</u>	<u>Last year</u>
	tonnes	tonnes
Opening Stock of cement (un-packed)		
<i>Add:</i> Cement received from Grinding Deptt.		
Total:		
<i>Less:</i> Closing stock of cement (unpacked) Cement packed during the period (No. of bags)		
<i>Less:</i> Quantity sold (No. bags).		
Closing stock of cement (packed) No. of bags)		
Stock adjustment (if any) (No. of bags)		

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**B- Cost Statement:**

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	For the year		Last y	
	Rs. in 0000	Rs. Per tonne	Rs. in 000	Rs.
<i>Cost opening stock un-packed:</i>				
Cost transferred in from cement grinding department.				
Direct Departmental cost				
Packing material				
Other materials				
Labour				
Salaries				
Employee's other benefits				
Indirect materials.				
Repair and maintenance				
Fuel-oil				
Gas				
Depreciation (Annex.....X)				
Other Overheads				
Sub-Total (a):				
Indirect Departmental costs:				
Compressed air (Annex IX)				
Power (Annex X)				
Other factory expenses (Annex XI)				
Sub-Total (b)				
Total cost (a+b)				
Less: Cost applicable to un-packed closing stock				
Cost applicable to packed closing stock				
Balance: Cost of packed cement sold: _____				
Cost of loose cement sold				
Sold. (if any): _____				
Cost transferred to silos				
Cost of total cement sold.				

**Annexure - IX****DEPARTMENTAL COST STATEMENT**Name of Department: **AIR COMPRESSING FOR THE YEAR ENDED:** \_\_\_\_\_

## A. Quantitative data

	<u>For the year</u> tonnes	<u>Last year</u> tonnes
Compressed Air Produced		

### B- Cost Statement:

	<u>For the year</u>	<u>Last year</u>
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#### *Direct Departmental Cost:*

Labour  
 Salaries  
 Employee's other benefits  
 Insurance  
 Indirect materials.  
 Repair and maintenance  
 Fuel-oil  
 Gas  
 Depreciation (Annex.....X)  
 Purchased Power  
 Other Overheads  
 Sub-Total (a):

#### *Indirect Departmental costs:*

Power (Annex X)  
 Other factory expenses (Annex XI)  
 Sub-Total (b)

Total cost (a+b)

### C- Cost Distribution

	Quantity	Cost
Departments using compressed air:		



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## Annexure - X

### DEPARTMENTAL COST STATEMENT

STATEMENT SHOWING THE COST OF POWER GENERATED/PURCHASED AND CONSUMED DURING THE YEAR ENDED: \_\_\_\_\_

#### A. Quantitative data

---

	<u>For the year</u>	<u>Last year</u>
Installed capacity KWH.		
No. of Units generated		
No. of units purchased Total:		
Self-consumption in power house		
Losses:		
Net units consumed by various other department:		
1- Percentage of loss to total power generated and purchased. 2-		
% of power generated to installed capacity.		

---

#### B- Cost Statement:

---

S. No.	Particular	<u>Qty.</u> <u>Units</u>	<u>Rate</u> <u>Rs.</u>	<u>Amount</u> <u>Rs.</u>	Cost per unit of power generated and purchased	<u>Current</u> <u>year</u>	<u>Previous</u> <u>year</u>	
1-	Fuel oil/steam consumed							
2-	Other material (specify)							
3-	Consumable stores 4- Other direct charges							
5-	Salaries and wages							
6-	Repairs and maintenance							
7-	Other overheads							
8-	Depreciation,							
Total								
Less: (1) Supplies to other units of the company								
(Not engaged in the manufacture of cement)								

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Net cost of Power generated.

Purchased power (on actual consumption basis)

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Total cost of power:

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Cost per unit (average).

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**C- Cost Distribution**

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Consumed in:-

- Lime stone, clay, gypsum Quarry
- Transportation
- Crushing
- Stock hall
- Raw mills
- Kilns
- Cement grinding
- Storage and packing
- Air compressing
- Others.

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Total cost distribution:

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## Annexure - XI

### OTHER FACTORY EXPENSES-FACTORY GENERAL FOR THE YEAR ENDED: \_\_\_\_\_

#### A. Cost Statement

	<u>For the year</u>	<u>Last year</u>
Direct Departmental Cost:		
Labour cost		
Salaries		
Employee's other benefit		
Contractor's labour		
Depreciation		
Stores and spares		
Repair and maintenance		
Electricity		
Compressed Air (Annexure IX)		
Power (Annexure X)		
Miscellaneous Expenses. (Tele printing stationery, T.A./D.A., rates and taxes, insurance and fixed charges paid to WAPDA Flowers, seeds, plants, cleanliness materials, uniform of security staff etc.)		

#### B- Cost Distribution:

S. No.	Particular	<u>For the year</u>		<u>Last year</u>	
		Basis	Rs. In 000	Basis	Rs. In 000

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Lime stone, Clay, Gypsum, Quarry

Transpiration

Crushing

Stock hall

Raw Mill

Cement Grinding

Packing and Storage

Air Compressing (if any)

Power generation (if any)

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Total

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### SCHEDULE III

#### 1. Production material

(Raw edible oils, chemicals and vitamins)

- (a) Record of each item of production material in stock, required or actually used for producing, processing or manufacturing any of the products shall be maintained. It shall show the quantity and cost of every receipt and issue made from the stock. All issues of production materials shall be reconciled with the figure shown in Performa 'B' of this Schedule, or in any form as near thereto as possible. Any losses surpluses arising as a result of physical verification of inventories and adjustment thereof shall be clearly indicated in the cost records.
- (b) Record of purchase/supply contracts entered into with local and foreign suppliers will be maintained showing the rate at which the various quantities of materials are to be purchased. The record shall indicate principal features of each contract, particularly, conditions relating to the quality, price and period of delivery, discount for transit loss and terms of payment including cash discounts, if any, and compensation, the supply shall pay for delay in delivery and non-delivery. The records shall also show the deliveries received against each contract of material supply. The supply contracts shall also indicate the conditions relating to rebate for quality variations in FFA (free fatty acids), colour and moisture in case of raw edible oils; and in case of other materials usual quality standards shall be specified in the supply contracts for the purpose of rebates.
- (c) Where arrangements exist for production of any of the production materials by the facilities owned by the company, separate records showing the cost of manufacture of such materials indicating the break-up of raw materials consumed and conversion cost shall be maintained. The records shall also indicate the basis on which such materials are priced for transfer to the manufacture or processing of vegetable ghee cooking oil.
- (d) The cost, in addition to the basic price of the materials shown in the records shall also include all other direct charges incidental to the procurement of production materials up to the works.
- (e) Any abnormal wastage of material whether in transit, storage or for the other reason, shall be recorded separately indicating the stage at which such losses occur. Method of dealing with such losses in the calculation of cost shall be indicated in the records. Normal wastages will be absorbed by the remaining material itself.
- (f) Difference between the quantities of the edible oils introduced the process and yield obtained commonly referred to as the process loss or refining loss, includes waste materials (by produce) called invisible loss which is part of

TFM (total fatty matter) and a small quantity of invisible loss. Realisable value of the by-products, extracted from the oil, shall be credited to the cost of oil.

- (g) Realisable value of the used chemicals recovered shall be credited to the cost of such materials to arrive at the net cost of chemicals consumption.
- (h) By products, such as oxygen or carbon dioxide and the oxygen as the case may be obtained from the generation of hydrogen, by different products shall also be credited to the respective process cost centres to determine the net cost of hydrogen available for use.
- (i) The records shall be maintained in such detail as may enable the company to compile the cost data in Annexure A-1 of Performa 'A' of this Schedule or in any form as near thereto as practicable.

## **II. Direct Labour**

- (a) Adequate record shall be maintained to show the attendance of workers employed by the company whether on regular, temporary, or piece-rate basis or on contractual basis. Proper record shall also be maintained in respect of payment made for overtime work and other production incentives given to the workers and payments to any contract for the work performed.
- (b) Fair and reasonable allocation shall be made for wages, paid to such direct labour as has been utilised in more than one department, between the various manufacturing departments or cost centres and the basis of such allocation shall be consistently followed. Idle time or lay-off payments shall be recorded separately indicating the reasons and the method of treatment in the calculation of the cost of the items. Any wages being expenditure on additions to plant, machinery or other fixed assets shall be allocated to the relevant capital heads in the accounts.
- (c) In case of wages and salaries being allocated on a basis other than actual, reconciliation of wages and salaries to the actual and the treatments of variances, if any, in determining the cost of the products shall also be indicated in the cost records.

## **III. Steam**

- (a) Adequate records shall be maintained to ascertain the cost of steam produced and charged to different produces. The cost of steam may be determined on an estimated basis if it is not possible to determine the actual cost. In case the cost of steam is allocated to different processes on any basis other than actual cost, reconciliation of the actual cost of steam produced and the treatment of variances, if any, in determining the cost of items, shall be indicated in the cost records.

- (b) The record shall be maintained in such details as may enable the company to compile the cost data in Annexure A 3 of Proforma 'A' of this Schedule or in any form as near thereto as practicable.

#### **IV. Hydrogen**

Adequate records shall be maintained to ascertain the cost of hydrogen produced and charged to vegetable ghee and cooking oil production as well as that sold.

#### **V. Water**

Appropriate record shall be maintained to determine the cost of water used by the company. The expenditure on water shall be allocated to boiler house and oil processing on estimated basis, which shall be used consistently from year to year and indicated in the cost records.

#### **VI. Electric Power**

- (a) Adequate records, showing quantity and cost of electric power purchased, with fixed charges and duties incurred thereon, shall be maintained. The cost of electric power shall be kept separately for each item. The consumption shall be calculated on a reasonable basis and applied consistently.
- (b) Where electric power is generated by the company itself or by its wholly owned subsidiary, separate records, shall be maintained in such details as may enable the company to compile; cost data in Annexure A-4 or proforma 'A' of this Schedule or in any form as near thereto as practicable.
- (c) The records shall be so maintained as to enable the assessment of consumption of power by the different departments or manufacturing units or cost centres. Allocation of the cost of electric power shall be on the basis of actual consumption, if separate meters are installed or on the basis of technical estimates in the absence of meters. In the case of fixed charges or fuel adjustment surcharge claimed by KESC or WAPDA, irrespective of the actual power consumed and if the amount payable as per actual consumption falls below the contractual minimum, the difference between the contractual minimum and the actual amount consumed in and chargeable to non-manufacturing departments. If significant shall be, shown separately.

#### **VII. Consumable Stores**

- (a) Record of each item of consumable stores shall be maintained to show the receipts, issues and balances, both in quantities and values, required or actually used for the manufacture of items.

- (b) Cost of consumable stores shall include all direct charges incidental to procurement of each item up to works. The cost of such stores consumed shall be charged to relevant cost centres on the basis of actual consumption. The items issued for capital expenditure, such as addition to plant and machinery, shall be shown under relevant heads.
- (c) Wastage of consumable stores, whether in transit, storage or at any point, shall be quantified and shown separately. Method of dealing with such losses in costing shall also be indicated in the cost records.

#### **VIII. Repairs and maintenance**

Adequate records showing expenditure incurred on workshop facilities for repairs and maintenance of plant and machinery shall be maintained. Details of cost determination and their basis of allocation of repairs and maintenance expenditure to different departments or manufacturing units or cost centres shall be indicated. Cost of work of capital nature of heavy repairs and maintenance cost, benefit of which is likely to be spread over a period longer than one financial year, shall be shown separately.

#### **IX. Packing**

- (a) Adequate records shall be maintained showing the cost of packing materials and direct wages and other expenses incurred in respect of different items packed. Where such expenses are not capable of being charged directly against individual items, basis of apportioning the expenses shall be clearly indicated in the cost records and applied consistently.
- (b) Where the tin containers are fabricated by the company itself or wholly or partly fabricated by the outside in fabricators for the company or wholly or partly manufactured tin containers are purchased from the market, separate record shall be maintained for each lot of the containers under each category.
- (c) In case of the tin containers are wholly or partly manufactured fabricated by the company itself the records shall be maintained in such details as may enable the company to compile the cost data in the form of Annexure A 5 of proforma 'A' of this Schedule .

#### **X. Chilling**

Appropriate record of cost incurred in connection with refrigeration facilities provided for chilling of items shall be maintained in sufficient details as may enable the company to compile the cost data in Annexure A6 of proforma 'A' of this Schedule .

#### **XI. Depreciation**

- (a) Adequate records shall be maintained showing values and other particulars of the fixed assets in respect of which depreciation is to be provided. The records



shall inter alia indicate the cost of each item of assets the date of its acquisition and the rate of depreciation.

- (b) Basis on which depreciation is calculated and allocated to the various departments and products shall be clearly indicated in the records.
- (c) Amount of depreciation chargeable to the different departments, manufacturing units or cost centres, for the financial year shall be in accordance with the International Financial Reporting Standards as applicable in Pakistan and then relate to the plant and machinery and other fixed assets utilised in such departments or units or cost centres. The method once adopted shall be applied consistently.

#### **XII. Insurance**

- (a) Record shall be maintained showing the insurance premia paid for the various risks covered on the assets and other interests of the company.
- (b) Method of allocating insurance cost to the various cost centres shall be indicated in the cost records and followed consistently.

#### **XIII. Other fixed overheads**

Adequate records showing the amounts comprising the manufacturing overhead expense and details of apportionment thereof to the various departments or manufacturing units or cost centres shall be maintained. The factory overheads shall include among other items, indirect labour cost along with its share of labour related costs such as fringe benefits, other labour and staff welfare expenses, and establishment expenses of manufacturing of items.

#### **XIV. Administration, selling and distribution**

Adequate records shall be maintained showing the items comprising administration, selling and distribution expenses and apportionment thereof to the different products and the basis of allocation of overhead cost shall be indicated in the records.

#### **XV. By-product**

Adequate records shall be maintained showing the quantity of by-products obtained and the basis of pricing adopted for giving credit thereof to the main product. Any subsequent use of the by-product, such as soap stock being converted into laundry soap, and other products like glycerine etc., shall also be recorded and reconciled.

#### **XVI. Work-in-process and finished goods inventories**

Record of work-in-process inventories, at each material stage of process and finished goods, inventories, physically checked and verified at the close of the financial period, duly reconciled with the books of accounts, shall be maintained. Method of valuation of work-in-process and the finished goods inventories shall be indicated in the cost records so as to reveal the cost elements which have been considered in such computation. The cost elements shall be related to the items referred to in the proforma 'A' of this Schedule. The method adopted shall be consistently followed. Treatment of differences, if any, on physical verification of stocks with book balances, shall also be indicated in the records.

#### **XVII. Statistical statements and other records**

- (a) Statistical statements and other records such as yield statement. TFM (total fatty matter), recovery and other by-products statement details relating to chemical and energy consumption, tinplate yield and scrap records and relevant data shall be maintained in such details as may enable the company to comply with the requirements of this Schedule and to enable the cost auditor to report and perform his duties under section 250 of the Companies Act, 2017.
- (b) Companies may develop appropriate standards for use as a basis to evaluate performance properly.

#### **XVIII. Reconciliation of cost and financial accounts**

- (a) The cost records shall be periodically reconciled with the financial accounts to ensure accuracy. Variations, if any, shall be clearly indicated and explained.
- (b) The reconciliation shall be done in such a manner that the profitability of the product, as per cost statements, is correctly judged and reconciled with the overall profits of the company from all its activities.
- (c) Adequate cost records shall be maintained in a manner so that the cost statements as required in Schedule (proforma 'A' and annexures) can be compiled and the cost auditor is able to verify the statements with the records.

#### **XIX. Related Party Transactions**

In respect of supplies made by the company to its holding company or a subsidiary of a company in the same group or 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 understanding reached, in respect of: -

- (a) Purchase and sale of raw materials and process materials;
- (b) Utilization of plant facilities;
- (c) Supply of Utilities; and
- (d) Administrative, technical, managerial and other consultancy services

These records shall indicate the basis followed to arrive at the rates charged between them so as to enable determination of the reasonableness of the rate charged or paid for such services.

**XX. Reconciliation of Indirect Taxes**

Adequate record of excise duty and Sales Tax paid and the rebate claimed or earned in case of allowance for excess production or export of vegetable oil and ghee shall be maintained. Calculation for rebate shall be worked out through formula prescribed by the government. The working of the adjustment or claim, if any, shall also be shown.

**PROFORMA "A"**

Name and address of the company

**STATEMENT SHOWING COST OF VEGETABLE GHEE  
COOKING OIL MANUFACTURED AND SOLD DURING THE PERIOD  
FROM \_\_\_\_\_ TO \_\_\_\_\_.**

**1- Capacity**

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Current period: previous period

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- (a) Number of days worked:  
 (b) Installed capacity (Tonnes):  
 (c) Utilised capacity (Tonnes):
- (i) Vegetable ghee:  
 16 kg pack  
 5 kg pack  
 2.5 kg pack
- (ii) Cooking oil  
 17 litre pack  
 5 litre pack  
 2.5 litre pack
- (iii) Margarine  
 (iv) Bakery shortening  
 (v) Others if any (specify)
- 

**II- Costs:**

Particulars	Current period		Previous period	
	Total cost	Cost per tonnes	Total cost	Cost per tonnes

---

**1- Direct materials**

- (i) Raw edible oils (as per Annexure A-1)
- (ii) Chemicals:  
(as per Annexure A-2)  
Production materials

**2- Direct Labour**

**3- Variable factory Overheads**

- (i) Steam:  
(as per Annexure A-3)  
  
(a) Used in neutraliser and other process: (b)  
Used in deodoriser:

- (ii) Hydrogen:

- (a) By gas Cracking process
- (b) By electrolysis process

- (iii) Water:

- (iv) Electric power cost

- (a) Purchased from WAPDA/KESC
- (b) Own generation  
(as per Annexure A-4)

- (v) Consumable stores:

- (vi) repairs and maintenance:

- (vii) Other overheads (specify) Variable  
factory overheads

**4- Total Variable cost**

(Item 1+2+3)

**5- Packing cost**

(as per Annexure A-5)

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**6- Chilling cost**

(as per Annexure A-6)

**7- Total variable cost including packing and chilling cost.**

Particulars	Current period		Previous period	
	Total cost	Cost per tonnes	Total cost	Cost per tonnes
<b>8- Adjustment of work in process inventory</b>				
(I) <i>Add:</i> Opening stock (a) At packing stage				
(b) At chilling stage				
(II) <i>Less:</i> Closing stock:				
(a) At packing stage				
(b) At chilling stage				
<b>9- Total variable cost of packed and chilled vegetable ghee/choking oil (Item 7±8)</b>				
<b>10- Fixed Overheads</b>				
<b>11- Total cost of goods manufactured (Item 9±10)</b>				
<b>12- Adjustment of finished goods inventories.</b>				
(i) <i>Add:</i> Opening stock				
(ii) <i>Less:</i> Closing stock				
<b>13- Net ex-works cost of sales. (Item 11±12)</b>				
<b>III. Sales.</b>				
(i) Gross sales				
(ii) Less commission and discount				
(iii) Sales [(item (i) and (ii)]				
(iv) Less: Excise duty				
(v) Net sales				







Annexure A-3

Name and address of the Company

**STATEMENT SHOWING THE COST OF STEAM PRODUCED FOR THE PERIOD  
FROM: \_\_\_\_\_ TO \_\_\_\_\_**

**I- Capacity:**

Type of steam boilers	Current period	Previous period
(a) Number of days worked		
(b) Installed capacity (steam in cubic meters)		
(c) Capacity utilisation (Steam in cubic meters)		

**II- Cost:**

Boiler houses expenses	Current period		Previous period	
	Total cost	Cost per M <sup>3</sup> of steam	Total cost	Cost per M <sup>3</sup> of steam
(i) Fuel (coal/gas/furnace oil)				
(i) Fuel(coal/gas/furnace oil)				
(ii) Water				
(iii) Electricity				
(iv) Chemicals				
(v) Consumable stores				
(vi) Salaries and wages				
(vii) Repair and maintenance				
(viii) Depreciation				
(ix) Insurance				
(x) Other				
Total cost of steam produced				

**III- Sales and Transfers:**

(a) Vegetable ghee/cooking oil production	
(i) Neutilizers and other process	
(ii) Deodorizer	
(b) To gas cracking	
(c) To any other section (specify)	
Total	

Annexure A-4

Name and address of the Company

**STATEMENT SHOWING THE COST OF ELECTRIC POWER GENERATION  
FOR THE PERIOD FROM: \_\_\_\_\_ TO \_\_\_\_\_**

**I- Capacity:**

	Current period	Previous period
(i) Number of hours worked (ii) Installed capacity (KWH).		
(iii) Unutilised capacity (KWH).		

**II- Cost:**

Particulars	Current period		Previous period	
	Total cost	Cost per KWH	Total cost	Cost per KWH
1- Fuel and oil				
2- Salaries and wages				
3- Consumable Store				
4- Repair and maintenance				
5- Depreciation				
6- Insurance				
7- Other overheads				
Total cost:				

**III- Sales and Transfers:**

Particulars	Current period		Previous period	
	Total cost	Cost per KWH	Total cost	Cost per KWH





(ii) *Less:* (Closing stock)

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15- Cost of tins consumed

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Annexure A-6

Name and address of the Company

**STATEMENT SHOWING THE COST OF CHILING FOR THE PERIOD FROM: \_\_\_\_\_  
TO \_\_\_\_\_**

**I- Capacity:**

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	Current period	Previous period
1- Number of days worked		
2- Chilling capacity (Tonne)		
3- Capacity utilisation (Tonne)		

---

**II- Cost:**

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	Current period		Previous period	
	total	Cost per tonne/output	total	Cost per tonne/output
(a) Freon/ammonia				
(b) Power				
(c) Wages and salaries				
(d) Consumable stores				
(e) Repairs and maintenance				
(f) Depreciation				
(g) Insurance				
(h) Other overheads				
Total chilling cost				

---



2- Empty finished tins (Numbers)

16 Kg. 17 Litre

5 Kg. /5 Litre

2.5 Kg. /2.5 litre

Total:

3- By-products (specify)

1

2

3

4

5

6

4- Raw edible Oil (tonnes)

Imported:

i Palm Oil

ii Soybean Oil

iii Others (specify)

Local:

i- Cottonseed Oil

ii- Rapeseed Oil

iii Sunflower Oil

iv- Others (specify)

Total:

5- Chemical (KG):

i- Bleaching earth

ii- Activated carbon

iii- Caustic soda

iv- Nickel catalyst

v- Citric acid

vi- Phosphoric acid

vii- Anti oxidant

viii- Common salt

ix- Filter acids



- x- Ghee flavour
- xi- Vitamins A and D
- xii- Others (specify)

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Total:

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6- Others materials:

- i- Ti plant (Tonne).
- ii- G.A. wire (Tonne).
- iii- Soldering materials (K.G.)
- iv- Others (specify)

7- Small tools

8- Any others store (specify)

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Total:

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## SCHEDULE IV

### I. MATERIAL

#### (1) Direct Material.-

- (a) Adequate records shall be maintained showing receipts, issues and balances, both in quantities and values of each item of direct material required for production of chemical fertilizer of any type. The basis on which the value of receipts, and issues have been calculated shall be clearly indicated in the cost records maintained or if so desired by the company in a separate manual of procedures, if any, maintained by the company or in foot-notes or separate explanatory notes to the cost statements for the relevant period. Such basis shall be applied consistently throughout the relevant period. The values shall include all direct charges up to works such as excise duty, haulage, transport, freight, handling and insurance. In case of imported material, custom duty, Iqra surcharge, port charges, inland freight charges, freight and insurance charges, sales tax and any other levies payable at the time of import shall be shown separately and included to work out landed cost.
- (b) If the value of direct material consumed is determined on a basis other than actual, the method adopted for such valuation as well as the method for reconciliation of such consumption with actual and the method for dealing with variations, if any, shall be disclosed in the cost records or indicated by way of footnotes or in any other suitable manner.
- (c) All issues of production materials shall be reconciled with figures shown in Annexes of this Schedule, or in any other form as thereto as possible. Any losses/surpluses arising as a result of physical verification of inventories and adjustments thereof shall be clearly indicated in the cost records.
- (d) Record of purchase/supply contracts entered into with local and foreign suppliers as the case may be shall be maintained showing the rate at which various quantities of materials are to be acquired. The records shall indicate principal features of each contract particularly conditions relating to quantity, quality and, in case of catalysts showing their life, and in case of chemicals their strength and technical contents, price, period of delivery, discount for transit loss and terms of payment including cash discounts.
- (e) Any abnormal wastage of material whether in transit, storage or for any other reason, shall be recorded separately indicating the stage at which such losses occur and reasons thereof. Method of dealing with such losses in the calculation of cost shall be indicated in the records. Normal wastages/losses due to shrinkage or evaporation etc. and gain due to elongation or absorption of moisture etc. will be absorbed by the remaining material itself.
- (f) Realizable value of any waste material, by-product or intermediary product recovered or sale proceeds of any process material or intermediary product shall

be credited to the cost of such process to arrive at the net cost of that particular process and finally that of the fertilizer produced.

- (g) The method adopted for the quantity and value of materials consumed in a company, if determined on a basis other than actual, shall be mentioned in cost records and it shall be followed consistently. The overall reconciliation of such quantities and values of materials with the actual shall be made at least quarterly during the financial year explaining the reasons for variances. The treatment of such variances in determining the cost of items shall be indicated in the cost records.
- (h) Where a material is acquired in exchange for other material or services supplied, the cost of material acquired is taken as the cost of material supplied or services provided plus other applicable cost such as freight.
- (i) The forex component of imported material is converted at the rate on the date of the transaction. Any subsequent change in the exchange rate till payment or otherwise will not form part of the material cost.
- (j) Self manufactured materials are valued at cost including Direct Material Cost, Direct Employee Cost, Factory overheads and share of administrative overheads relating to production. Share of other administrative overheads, finance cost and marketing overheads are excluded.
- (k) The records shall be maintained in such detail as may enable the company to readily provide data as required in the various Cost Statements specified in this Schedule in a verifiable state.

**(2) Catalysts, Other Chemicals, Consumable Stores/Spares, etc:**

- (a) Adequate record of each item of catalysts, chemicals, consumable stores/spares shall be maintained to show receipts, issues and balances, both in quantities and values, required for production of chemical fertilizer and/or actually used for the relevant cost centers.
- (b) Cost of catalysts, chemicals, consumable stores and spare parts shall include all direct charges incidental to procurement of each item up to the factory. The cost of such chemicals, stores/spares etc. consumed shall be charged to relevant cost centers on the basis of actual consumption as recorded in the Cost Statements. The items issued for capital expenditure, viz. as additions to plant and machinery shall be shown under relevant heads and not in the cost statements of chemical fertilizer. Cost of catalysts which are relatable to production over a period of time, is amortized over the production units benefited by such cost. Cost of material with life exceeding one year is included in the cost over useful life of the material.
- (c) The basis of valuation of receipt and consumption of each item shall be indicated in the cost records and shall be consistently followed.
- (d) Wastage of chemicals, consumable stores, spares whether in transit, storage or at any other point shall be quantified and shown separately. Method of dealing with such losses in costing shall also be indicated in the cost records.

## II. SALARIES AND WAGES

(1) Adequate record shall be maintained to show the attendance of workers employed by the company whether on regular, temporary, or on contract basis, as the case may be. Proper record shall also be maintained in respect of payment made for overtime work and production incentives whether in the shape of production bonus or incentives based on out-put given to the workers. Payment of any retirement benefits including pension, provident fund, gratuity, old age benefits and any welfare expenses shall also be included in the labour or factory overhead cost of beneficiary cost center/department. This will be done in a manner that labour cost is available for each cost center or department and for each product whether intermediary, by-product or main product so that different Cost Statements are filled properly and easily.

(2) Fair and reasonable allocation shall be made for wages paid to such direct labour as has been utilised in more than one department, between the various departments or cost centers and the basis of such allocation shall be consistently followed. Any wages paid for additions to plant and machinery or other capitalised assets shall be capitalized and excluded from the cost statements of chemical fertilizer.

## III. UTILITIES

(1) Adequate records shall be maintained showing the quantity and cost of various utilities and services both purchased and produced as detailed below and consumed and utilised by different cost centers:

- (a) Power
- (b) Steam
- (c) De-mineralised Water
- (d) Compressed Air
- (e) Others (to be specified)

(3) The records shall be maintained so as to enable assessment of consumption or utilization of services by different departments, cost centers or manufacturing units. Allocation of cost of utilization shall be on the basis of actual consumption, if possible, or on the basis of technical estimates in the absence of actual measurement. In the case of fixed charges or fuel adjustment surcharge for electricity claimed by the utility company, irrespective of the actual power consumed and if the amount payable as per actual consumption falls below the contractual minimum, the difference between the contractual minimum and the actual amount shall be treated as fixed or period cost and transferred to relevant Cost Statement. Cost of service including power and gas consumed in and chargeable to non-manufacturing departments, if significant, shall be shown separately.

*Note:* - In case of self generation quantity and reasons for underutilization shall be specified and the relevant cost should be treated as fixed/period cost. In case of natural gas separate records shall be maintained for use of gas as direct material and use of gas in utility services or for supply to housing colonies, if any. Moreover, Cost of utilities generated for sale to outside parties is arrived as Cost of self generated utilities plus distribution cost plus share of administrative overheads plus marketing overheads.

## IV. REPAIRS AND MAINTENANCE

Adequate records showing expenditure incurred on workshop facilities for repairs and maintenance of plant and machinery in different departments and cost centers shall be maintained on

permanent basis. Details of cost determination and the basis of allocation of repairs and maintenance expenditure to different departments or manufacturing units or cost centers shall be indicated. Cost of work of capital nature, of heavy repairs, and overhaul cost, benefit of which is likely to be spread over a period longer than one financial year, shall be shown separately. If a separate maintenance team is working for a particular department the salaries, wages, cost of consumables, spares and tools should be charged as direct expense of that department. If the maintenance services are utilised for other products, the portion utilised for them shall be segregated and charged thereto.

#### **V. DEPRECIATION**

(1) Adequate records shall be maintained showing values and other particulars of fixed assets in respect of which depreciation is to be provided. The records shall inter-alia indicate the cost of each item of asset, details of revaluation of assets, if any, the date of its acquisition, accumulated depreciation, the rate of depreciation and the depreciation charge, for the relevant period.

(2) Basis on which depreciation is calculated and allocated to the various departments and products shall be clearly indicated in the records.

(3) Where small value items are written off fully at the time of purchase in financial accounts, the same may be generally adopted for cost accounts.

#### **VI. INSURANCE**

(1) Record shall be maintained showing insurance premium paid for the various risks covered on the assets and other interests of the company.

(2) Method of allocating insurance cost to the various cost centers shall be indicated in the cost records and followed consistently.

#### **VII. ROYALTY/TECHNOLOGY TRANSFER FEE**

Adequate record including technical agreements shall be maintained in respect of fee paid to the collaborators or technology suppliers on recurring or non-recurring basis, party-wise. The basis of charging such amounts to the beneficiating formulations shall be indicated in the cost records.

#### **VIII. OTHER OVERHEADS**

Adequate records showing the amounts comprising the manufacturing overhead expenses other than those already mentioned and details of apportionment thereof to the various departments or processes or cost centers, shall be maintained. The factory overheads shall include, among other items, indirect labour cost along with share of labour related cost such as fringe benefits, other labour and staff welfare expenses, and establishment expenses of manufacturing of items. If products other than chemical fertilizers including salable by-products are also being produced in the factory, adequate bases should be developed to apportion the overhead cost equitably.

#### **IX. QUALITY CONTROL EXPENSES**

In case certain chemical fertilizers require periodic checks by the quality control department, as to the chemical strength conforming to standards laid down by the Government or industry, necessary records shall be maintained so that the expenses incurred on the quality control department are collected and charged to the different products. Adequate records shall be maintained of rejected fertilizers,

intermediary products and by-products. Expenses incurred on quality control built-in within a certain department shall be charged as direct departmental expense.

#### **X. JOINT PRODUCTS**

When more than one product arises from a process, the cost shall be allocated to the different products on some reasonable basis which shall be consistently applied during the relevant period. The basis on which such joint costs are allocated to the different products arising from a process shall be indicated in the cost records.

#### **XI. TRANSFER TO THE NEXT PROCESS**

The costs incurred in an intermediary process will be transferred proportionate to the quantity transferred to the next process.

#### **XII. WORK-IN-PROCESS AND FINISHED GOODS INVENTORIES**

The method of valuation of work-in-process and the finished goods inventories shall be indicated in the cost records so as to reveal the cost elements which have been taken into account in such computation. The cost elements shall be related to the items referred to in the relevant Cost Statement. The costing method adopted shall be consistently followed. Treatment of differences, if any, on physical verification of stocks with book balances, shall also be indicated in the cost records.

#### **XIII. PACKING**

Adequate records shall be maintained showing all the receipts, issues and balances both in quantities and cost of various packing materials such as strips, ampoules, vials, bottles, cartons, boxes, labels, and literature for each item separately. Adequate records shall also be maintained for wages and other expenses incurred in respect of different size of packs adopted for marketing of formulations separately. The details of various packing materials actually used and spoiled shall be maintained in respect of each formulation. Where any formulation is repacked due to defective packing, details of such repacking for each pack shall be determined if repacking cost is significant. In case any packing materials are produced by the company, proper record showing the cost and manufacture of such items shall be maintained. In case of export packing, separate records and additional packing cost shall be maintained.

#### **XIV. COST STATEMENTS**

Detailed and adequate cost statements shall be prepared for each type of fertilizer product, intermediary product and by-product separately, as required *vides* Schedule.

#### **XV. ADJUSTMENT OF COST VARIANCE**

(1) When 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 actual 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 Cost Statement.

(2) The reasons for variances in respect of materials shall *inter-alia* be furnished separately for major materials. Variance analysis shall be made quarterly during the financial year and also at the year-end. The reasons for variances shall be given in the cost records.

## **XVI. ADMINISTRATIVE EXPENSES**

Administrative expenses may be split up on the basis of total factory cost of each salable product and/or cost of imported fertilizers if sold by the company or any other basis adopted by the company. Such basis shall be clearly indicated in the cost records.

## **XVII. SELLING AND DISTRIBUTION EXPENSES**

- (1) Selling and distribution expenses in respect of fertilizer shall be apportioned to different final products and salable by-products and Intermediary-products on the basis of sales revenue or some other equitable basis which shall be indicated in the cost records and shall be followed consistently.
- (2) If imported fertilizers are also sold by the Company, selling expenses shall be allocated on the basis of sales revenue or any other acceptable basis that the company may adopt. However, the basis of allocation shall be consistently followed.

## **XVIII. SELLING AND DISTRIBUTION EXPENSES**

- (1) A common cost is the cost of operating a common facility, activity or service or that is shared by two or more cost objects.
- (2) The common cost is generally lower than the stand-alone individual cost to each cost object, had the facility not shared.
- (3) Common cost is therefore allocated to each cost object based on the individual costs of the cost object.

## **XIX. STATISTICAL STATEMENTS AND OTHER RECORDS**

Companies may develop appropriate standards for use as a basis to evaluate performance. Alternately formats/procedures adopted by the industry in general should be maintained.

## **XX. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS**

- (1) The cost records shall be periodically reconciled with the financial accounts to ensure accuracy if integrated accounts are not maintained. Variations, if any, shall be clearly indicated and explained.
- (2) The reconciliation shall be done in such a manner that the profitability of the different products, as per cost statements, is correctly judged and reconciled with the overall profits of the company from all of its activities.
- (3) Adequate cost records shall be maintained in a manner that the cost statements can be compiled.

## **XXI. RELATED PARTY TRANSACTION**

In respect of supplies made by the company to its holding company or a subsidiary of a company in the same group or 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 understanding reached, in respect of: -

- (1) Purchase and sale of raw materials and process materials;
- (2) Utilization of plant facilities;
- (3) Supply of Utilities; and
- (4) Administrative, technical, managerial and other consultancy services

These records shall indicate the basis followed to arrive at the rates charged between them so as to enable determination of the reasonableness of the rate charged or paid for such services.

## XXII. RECONCILIATION OF INDIRECT TAXES

Adequate record of excise duty and Sales Tax paid and the rebate claimed or earned in case of allowance for excess production or export of fertilizers shall be maintained. Calculation for rebate shall be worked out through formula prescribed by the government. The working of the adjustment or claim, if any, shall also be shown.

## XXIII. GENERAL INFORMATION

- 1 Name of the Company.
- 2 Date of Incorporation.
- 3 Date of Board Meeting where Cost Statements were approved
- 4 Name, qualification and designation of the officer heading the cost accounting section.
- 5 Location of Registered Office.
- 6 Location of Factory/Factories.
- 7 Type/Types of Fertilizers being produced.
- 8 Any salable by-products and mid-products.
- 9 Any imported fertilizers being sold by the company.
- 10 **Intermediary products:**

	Per Day M.Tonnes	Per Year M.Tonnes
Designed Capacity		
Installed Capacity		
Capacity Utilized		
No. of Days in the year		

on which capacity is calculated

11 **Main products:**

Designed Capacity

Installed Capacity

Capacity Utilised

No. of Days in the year

on which capacity is calculated

12 **Foreign Technical Collaboration:**

Name of the Process/Inventor/Patent holder.

*Annexure 1*

**INTERMEDIARY PRODUCT COST STATEMENT FOR THE YEAR ENDED**

Intermediary Product \_\_\_\_\_

Name:- \_\_\_\_\_

QUANTITATIVE DATA	
THIS YEAR (Tonnes)	LAST YEAR (Tonnes)

1. Opening Stock
2. Produced During the Period
3. Transferred/Purchased from other Plants/Suppliers
4. Closing Stock
5. Intermediary Product Transferred to the Next Process

S.No 1	PARTICULARS 2	CURRENT YEAR		PREVIOUS YEAR	
		TOTAL COST Rs 3	COST PER TONNE Rs 4	TOTAL COST Rs 5	COST PER TONNE Rs 6
1	Raw Materials				
2	(i)				
3	(ii)				
4	(iii)				
5	Chemicals, Resins				
6	Catalysts Spent				
7	Maintenance Spares				
8	Repairs and Maintenance				
9	Salaries, Wages & Other Benefits				
10	Rent, Rates & Taxes				
11	Royalties				
12	Depreciation				
13	Other Overheads				
	Emoluments to Foreign Engineers & Technicians				

14	<b>UTILITIES ALLOCATED</b>				
15	Power (kwh) (Annexure-4)				
16	Steam (Cubic Meter) (Annexure-8)				
17	Compressed Air (Cubic Meter) (Annexure-9)				
	Demineralized Water (Liter) (Annexure-10)				
18	<b>ALLOCATED COST</b>				
19	Plant Engineering Department Cost				
20	Plant Technical Department Cost				
21	Factory Management Department Cost				
22	Add: Opening Stock				
	Transferred in from Previous Process/ Purchased from Other Suppliers				
23	Less: Transfers to Saleable By-product				
24	Closing Stock				
25	Cost of Intermediary Product Transferred to Next Process				

Note:- Separate statements shall be prepared for each intermediary product.

*Annexure 2*

**MAIN PRODUCT STATEMENT SHOWING COST TO MAKE AND SELL FOR THE  
YEAR ENDED \_\_\_\_\_**

Main Product

Name:- \_\_\_\_\_

1. Opening Stock
2. Transferred in
3. Closing Stock
4. Main Product transferred to Handling and Storage

QUANTITATIVE DATA	
THIS YEAR (Tonnes)	LAST YEAR (Tonnes)

S.No 1	PARTICULARS 2	CURRENT YEAR		PREVIOUS YEAR	
		TOTAL COST Rs 3	COST PER TONNE Rs 4	TOTAL COST Rs 5	COST PER TONNE Rs 6
1	Cost of Intermediary product Transferred in <b>COST INCURRED BY THE DEPARTMENT</b>				
2	Raw Materials				
3	(i)				
4	(ii)				
5	(iii)				
6	Chemicals, Resins				
7	Catalysts Spent				
8	Maintenance Spares				
9	Repairs and Maintenance				
10	Salaries, Wages & Other Benefits				
11	Rent, Rates & Taxes				
12	Royalties				
13	Depreciation				
14	Other Overheads				
15	Payments to Foreign Engineers & Technicians				
	<b>UTILITIES ALLOCATED</b>				
16	Power (kwh) (Annexure-4)				
17	Steam (Cubic Meter) (Annexure-5)				
18	Compressed Air (Cubic Meter) (Annexure-6)				

19	Demineralized Water (Litre) (Annexure-7)				
	<b>ALLOCATED COST</b>				
20	Plant Engineering Department Cost				
21	Plant Technical Department Cost				
22	Factory Management Department Cost				
23	Packing, Handling and Storage Cost				
24	Total Cost of Production				
25	Add: Cost of Opening Stock				
26	Less: Value of Closing Stock				
27	Total available for Sale				
28	Add: Administrative Expenses				
29	Financial Expenses				
30	Selling & Distribution Expenses				
31	<b>Total Cost to Make &amp; Sell</b>				

Note:- Separate statement shall be prepared for each main product and saleable by-product requiring further treatment.

*Annexure 3*

**PACKING, HANDLING AND STORAGE COST STATEMENT FOR THE YEAR  
ENDED \_\_\_\_\_**

S.No 1	PARTICULARS 2	TOTAL COST		RAILWAY SIDING	
		Current Year Rs 3	Previous Year Rs 4	Current Year Rs 5	Previous Year Rs 6
1	Raw Materials /Purchases				
2	(i)				
3	(ii)				
4	(iii)				
5	Loading & Stacking of Fertilizers				
6	Maintenance Stores and Spares				
7	Salaries, Wages & Benefits				
8	Depreciation				
	Other Overheads				
9	<b>UTILITIES ALLOCATED</b>				
10	Power (kwh)				
	Other Specify				
11	<b>ALLOCATED COST</b>				
12	Plant Engineering Department Cost				
	Factory Management Department Cost				
13					
14	<b>Total Cost</b>				
	Add: Railway Sliding Cost				
15					

16	Total Packing, Handling and Storage Cost				
	Transferred to Products:				
	A				
	B				
	C				
	<b>TOTAL AS PER ITEM 15 ABOVE (Annexure -2)</b>				

Note:

- ii. ONLY TO BE COMPLETED IF TOTAL PACKING, HANDLING AND STORAGE COST IS 10% OR MORE OF THE TOTAL COST OF PRODUCTION MENTIONED AT ANNEXURE-2 SERIAL NO. 24.

Annexure-4

**STATEMENT SHOWING THE COST OF POWER GENERATED/PURCHASED & CONSUMED FOR THE YEAR ENDED**

- (1) Installed Capacity kwh  
(2) No. of Units Generated (kwh)  
(3) No. of Units Purchased (kwh)  
(4) Total (2 + 3)  
(5) Self Consumption in Power House and other Losses  
(6) Net Units Consumed (4 - 5)  
(7) Percentage of losses to total power generated and purchased.  $5/4 * 100$   
(8) Percentage of power generated to installed capacity.  $2/1 * 100$

Current Year	Previous Year	Variance

No	PARTICULARS	Quantity (Units) If any	Rate per unit (RS)	Total Cost Current Year Rs.	Cost per Unit of Power Generated & Purchased	
					Current Year Rs	Previous Year Rs
1	2	3	4	5	6	7
1	(a) Fuel Oil/Natural Gas					
	(b) Other Materials (specify)					
2	Consumable Stores					
3	Other Direct Charges					
4	Salaries, Wages & Benefits					
5	Repairs & Maintenance					
6	Other Overheads					
7	Depreciation					
	<b>UTILITIES ALLOCATED</b>					
8	i) Specify					
	<b>ALLOCATED COST</b>					
9	Plant Engineering Department Cost (6.4)					
10	Factory Management Department Cost (6.6)					
11	Total					
12	Less: i) Supplies to other units of the Company					

	Producing saleable By-products ii) Sale to outside agencies.					
13	Net Cost of Power Generated					
14	Purchased Power					
15	Total Cost of Power Consumed					
	Cost per Unit Average					
	Consumed in (i) (ii) (iii) (iv) (v) (vi)					
	<b>TOTAL AS PER ITEM 15 ABOVE--Annexure-2</b>					

Notes:

- ONLY TO BE COMPLETED IF POWER GENERATED/PURCHASED & CONSUMED ARE 10% OR MORE OF THE TOTAL COST OF UTILITIES.**
- Cost per unit generated should be worked out with reference to net quantity of power available after deducting consumption in the power house and other losses.
- When meters are not installed consumption by different cost centers shall be assessed on a reasonable basis and applied consistently.
- Net realisation if any by sale of power to outside agencies shall be shown separately against item No. 12(ii).

*Annexure-5*

**STATEMENT SHOWING THE COST OF STEAM RAISED AND CONSUMED  
FOR THE YEAR ENDED \_\_\_\_\_**

S.NO	PARTICULARS	UNIT	CURRENT YEAR	PREVIOUS YEAR	VARIANCE
	<u>Types of steam boilers used</u>				
(1)	No. of Days Worked				
(2)	Installed Capacity (Steam in cubic meters)				
(3)	Utilised capacity (steam in cubic meters)				
(4)	Percentage of capacity utilisation $\frac{3}{2} * 100$				

S.No	PARTICULARS	QUANTITY UNITS	RATE Rs.	TOTAL COST CURRENT YEAR Rs.	COST PER CUBIC METER OF STEAM RAISED	
					CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
1	2	3	4	5	6	7
1	Water					
2	Fuel (a) Fuel Oil/Natural Gas (b) Others (to be specified)					
3	Consumable Stores					
4	Salaries, Wages & Benefits					
5	Repairs & Maintenance					
6	Other Overheads					
7	Depreciation					
	<b>UTILITIES ALLOCATED</b>					

8	i) Power (kwh) (6.7)				
	<b>ALLOCATED COST</b>				
9	Plant Engineering Department Cost (6.4)				
10	Factory Management Department Cost (6.6)				
11	Total				
12	Credits (if any)				
13	Net quantity and value of live steam				
	Consumed for :				
	(i)				
	(ii)				
	(iii)				
	(iv)				
	(v)				
	(vi)				
	<b>TOTAL AS PER ITEM 13 ABOVE –Annexure-2</b>				

**Notes :**

- ONLY TO BE COMPLETED IF COST OF STEAM RAISED AND CONSUMED IS 10% OR MORE OF THE TOTAL COST OF UTILITIES.**
- If steam is supplied to any other outside party, necessary credits for recovery shall be given against S. No. 12.
- Bases adopted for valuation of steam at different pressures should also be indicated in the records.
- Abnormal loss if any, both in quantity and cost shall be shown in a separate statement indicating thereof.

*Annexure-6*

**AIR COMPRESSING AND APPORTIONMENT EXPENSES FOR THE YEAR ENDED**

		CURRENT YEAR	PREVIOUS YEAR	VARIANCE	
No. of Days Worked					
Installed Capacity (in Cubic Meters)					
Actual Production					
Percentage of Compressed Air produced and to actual production $\frac{\text{Actual Production}}{\text{Installed Capacity}} \times 100$					
S.No	COST OF AIR COMPRESSED	Current Year Rs	Previous Year Rs	COST OF PER CUBIC METER AIR COMPRESSED	
				THIS Year Rs	LAST Year Rs
(1)	Salaries, Wages & Benefits				
(2)	Stores & Spares				
(3)	Power Consumption (6.7)				
(4)	Depreciation				
(5)	Other Overheads				
	<b>ALLOCATED COST</b>				
(6)	Plant Engineering Department Cost (6.4)				
(7)	Factory Management Department Cost (6.6)				
(8)	Repairs & Maintenance				
9	<b>Total Cost of Compressed Air</b>				

APPORTIONMENT				
DEPARTMENTS	FOR THE YEAR		LAST YEAR	
	Basis	Amount Rs	Basis	Amount Rs
(i)				
(ii)				
(iii)				
(iv)				
(v)				
(vi)				
(vii)				
(viii)				
(ix)				
(x)				
<b>TOTAL AS PER ITEM 9 ABOVE- Annexure-2</b>				

Note:-

- b. ONLY TO BE COMPLETED IF COST OF AIR COMPRESSING IS 10% OR MORE OF THE TOTAL COST OF UTILITIES.
- c. Abnormal loss if any, both in quantity and cost shall be shown in separate statement indicating reasons thereof.

*Annexure-7*

**STATEMENT SHOWING THE COST OF DE-MINERALIZED WATER AND APPORTIONMENT TO USER DEPARTMENTS/COST CENTRES FOR THE YEAR ENDED**

	Unit (Liters)	Current Year	Previous Year	COST PER LITRE		
				Current Year Rs	Previous Year Rs	
(1) No. of Days Worked						
(2) Installed Capacity (Liters)						
(3) Actual Production (utilised capacity)						
(4) Percentage of capacity utilisation $3/2 * 100$						
S.No	PARTICULARS	QUANTITY	RATE PER UNIT Rs.	TOTAL COST CURRENT YEAR Rs.	CURRENT YEAR Rs	PREVIOUS YEAR Rs
1	Minerals/Chemicals					
	(i)					
	(ii)					
	(iii)					
	(iv)					
2	Consumable Stores					
3	Salaries/ Wages & Benefits					
4	Repairs And Maintenance					
5	Other Overheads					
6	Depreciation					
	<b>UTILITIES ALLOCATED</b>					
	Power (kwh) (6.7)					
	Steam (Cubic Meters) (6.8)					
	Water (Liters)					
7	<b>ALLOCATED COST</b>					



	Plant Engineering Department Cost (6.4) Factory Management Department Cost (6.6)					
8	Total Expenses					
9	Credits, if any					
10	<b>Net Total</b>					
	Apportioned to:					
	(i)					
	(ii)					
	(iii)					
	<b>TOTAL AS PER ITEM 11 ABOVE Annexure-2</b>					

Note:-

- a. **ONLY TO BE COMPLETED IF COST OF AIR COMPRESSING IS 10% OR MORE THAN THE TOTAL COST OF UTILITIES.**
- b. Abnormal loss if any, both in quantity and cost shall be shown in a separate statement indicating reasons thereof.



## SCHEDULE V

### I. MATERIALS:

#### (i) Direct Materials:

- (a) Adequate records shall be maintained showing separately the quantity and cost of flour procured at the factory gate or other collection centers. Where wheat is grown in farms owned or taken on lease by the company, detailed records shall be maintained in a mill suitable proforma so as to enable computation of the cost of such wheat. The rate fixed by the Government from year to year adopted for pricing the wheat supplied by the Wheat grower (growers) to the mills shall be indicated in the cost records.
- (b) A separate proforma must be maintained to record wheat procurement expenses along with other related expenses. These expenses shall be separately determined.
- (c) All issues of materials shall be reconciled with figures shown in Annexures to this Schedule, or in any other form as near thereto as possible. Any losses or surpluses arising as a result of physical verification of inventories and adjustments thereof shall be clearly indicated in the cost records.
- (d) Record of purchase/supply through Indent by suppliers shall be maintained showing the rates at which the various quantities of materials are to be acquired. The records shall indicate principal features of each Indent particularly conditions relating to quantity, quality, price, period of delivery and discounts.
- (e) If the quantity and value of materials consumed in a company are determined on any basis other than actuals for example at standards, the method adopted shall be mentioned in cost records and followed consistently. The overall reconciliation of such quantities and values of materials with the actuals shall be made at the end of the financial year explaining the reasons for variances. The treatment of such variances in determining the cost of items shall be indicated in the cost records.
- (f) The records shall be maintained in such detail as may enable the company to readily provide data required in the various Annexures to this Schedule in a verifiable state.

#### (ii) Process material:

Adequate records shall be maintained to show the receipts, issues and balances, both in quantities and costs of each item of the process material, if any. The cost shall include all direct charges up to works, wherever specifically incurred. The issues of material shall properly be identified with the departments or cost centers.

**(iii) Consumable stores, small tools, machinery spares etc.**

- (a) Adequate 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 the direct charges up to works, wherever specifically incurred.
- (b) In case of small tools, the costs of which are insignificant, the company may maintain such records for the main groups of such items.
- (c) The cost of issues of consumable stores, small tools and machinery spares, shall be charged to the relevant heads of accounts such as repairs to plant and machinery, or repairs to building. Material consumed on capital works such as addition to buildings, plant and machinery and other assets shall be shown under the relevant capital heads.

**(iv) Wastages, spoilages, rejections or losses etc.:**

Adequate records shall be maintained showing the quantity and cost of wastages, spoilages, rejections and losses of wheat and other raw materials, if any, process materials, consumable stores, small tools and machinery spares, whether in transit, storage, or for any other reason. The method followed for adjusting the above losses as well as the income derived from the disposal of scrap, if any, in determining the cost of the product shall be disclosed in such details as may enable the company to arrive at the net cost of flour produced.

**II. RECONCILIATION OF INDIRECT TAXES**

Adequate record of excise duty and Sales Tax paid and the rebate claimed or earned in case of allowance for excess production or export of flour shall be maintained. Calculation for rebate shall be worked out through formula prescribed by the government. The working of the adjustment or claim, if any, shall also be shown.

**III. SALARIES AND WAGES:**

(a) Adequate record shall be maintained to show the attendance of workers employed by the company whether on regular, seasonal, temporary, or on contract basis, as the case may be. Proper record shall also be maintained in respect of payment made for overtime work and production incentives whether in the shape of production bonus or incentives based on output given to the workers. Payment of any retirement benefits including pension, provident fund, gratuity, old age benefits, contribution and any welfare expenses shall also be included in the labour or factory overhead cost of beneficiary cost center/ department. This will be done in a manner that labour cost is available for each cost center or department and for each product whether by-product or main product so that different Annexures of this Schedule, are filled properly and easily.

(b) Fair and reasonable allocation shall be made for wages paid to such direct labour as has been utilized in more than one departments, between the various departments or cost centers and the basis of such allocation shall be consistently followed. Idle time or lay-off payments shall be recorded separately indicating the reasons and the

method of treatment in the calculation of the cost of the items. Any wages paid for additions to plant a machinery or other capitalised assets, shall be capitalized and excluded from the cost statements of flour produced.

(c) Benefits paid to the employees other than covered in (a) above shall be worked out separately and shown in the cost statement department wise.

#### **IV. SERVICE /DEPARTMENTS**

Adequate records shall be maintained to indicate the expenses incurred for each services department or cost center. In the case of multi-product companies these expenses shall be apportioned to other service and production departments on an equitable basis. Where these service departments serve products other than bagged flour suitable bases shall be worked out so that the share apportioned to bagged flour is worked out and applied consistently.

#### **V. UTILITIES**

Adequate record of utilities being used by the company shall be kept in such details as may enable the company to furnish the necessary cost data as in Annexure 8 to this Schedule. The records shall be so maintained as to enable assessment of consumption of power by different departments or production units or cost centers. Allocation of cost of utilities shall be on the basis of actual consumption. In the case of fixed charges or fuel adjustment surcharge claimed by the utility company, irrespective of the actual power consumed and if the amount payable as per actual consumptions fall below the contractual minimum, the difference between the contractual minimum and the actual amount shall be treated as fixed or period cost and transferred to other factory expenses statement [Annexure 9 of this Schedule]. Cost of power consumed in and chargeable to non-production departments, if significant, shall be shown separately. Record shall also be kept for any electric power sold to out-side agencies.

#### **VI. REPAIRS AND MAINTENANCE**

Adequate records showing the expenditure incurred on workshop facilities for repairs and maintenance of buildings, civil works, offices and plant and machinery in different departments and cost centers shall be maintained on regular basis. Details of costs incurred and the basis of allocation of repairs and maintenance expenditure to different departments or production units shall be indicated. Cost of work of capital nature, heavy repairs, and overhaul cost, benefit of which is likely to be spread over a period longer than the financial year, shall be shown separately.

If a separate maintenance team is working for a particular department, the salaries, wages, cost of consumables, spars and tools shall be charged as direct expense of that department.

If the maintenance services are utilized for other products, the portion utilized for them shall be segregated and charged thereto.

#### **VII. DEPRECIATION**

(a) Adequate records shall be maintained showing values and other particulars of fixed assets in respect of which depreciation is to be provided. The records shall, inter alia, indicate the cost of each item of asset, the date of its acquisition, accumulated depreciation, the rate of depreciation and the depreciation charge, for the relevant period.

(b) Basis on which depreciation is calculated and allocated to the various departments and products shall be clearly indicated in the records.

(c) Amount of depreciation chargeable to different departments, production units or cost centers, for the financial year shall be in accordance with the International Financial Reporting Standards as applicable in Pakistan, and shall relate to the plant and machinery and other fixed assets utilized in such departments or units or cost centers. The method once adopted shall be applied consistently.

#### **VIII. INSURANCE**

(a) The record shall be maintained showing the insurance premium paid for the various risks covered on the assets and other interests of the company.

(b) Method of allocating insurance cost to the various departments shall be indicated in the cost records and followed consistently.

#### **IX. OTHER OVERHEADS**

Adequate records showing the amounts comprising the manufacturing overhead expenses other than those already mentioned and details of apportionment thereof to the various departments or processes shall be maintained.

If products other than bagged flour are also being produced in the factory, adequate bases should be developed to apportion the overhead cost equitably.

#### **X. BY-PRODUCTS**

Detailed records shall be maintained for each item of by-product showing the production, disposal and balance 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 also be maintained.

#### **XI. FLOUR TRANSFERRED FOR SELF USE**

Adequate records shall be maintained showing the quantity and cost of flour transferred to other units of the company for self-consumption. The rate at which such transfers are affected shall be disclosed in the cost records.

#### **XII. WORK-IN-PROCESS AND FINISHED GOODS STOCK**

The method of valuation of work-in-process 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 cost element shall be related to the items referred to in the relevant Annexures to this Schedule. The costing method adopted shall be consistently followed. Treatment of differences, if any, on physical verification of stocks with book

balances, shall also be indicated in the cost records.

### **XIII. ADJUSTMENT OF COST VARIANCE**

Where the company maintains cost records on any basis other than actuals, such as standard costing, the records shall indicate the procedures followed by the company in working out the actual cost of the product under such systems. 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 reasons for the variances shall be indicated in detail in the cost records.

### **XIV. RELATED PARTY TRANSACTIONS**

In respect of supplies made or services rendered by the company to its holding company or a subsidiary of a company in the same group or 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 understanding 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 other consultancy services.

These records shall indicate the basis followed to arrive at the rates charged between them so as to enable determination of the reasonableness of the rate charged or paid for such services.

### **XV. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS**

(a) If integrated accounts are not maintained, the cost records shall be periodically reconciled with the financial accounts to ensure accuracy. Variations, if any, shall be clearly indicated and explained.

(b) The reconciliation shall be done in such a manner that the profitability of each product produced and sold is correctly judged and reconciled with the overall profits of the company from all of its activities.

(c) Adequate cost records shall be maintained in a manner so that the cost statements may be properly compiled.

### **XVI. STATISTICAL RECORDS**

(a) Data such as the duration of milling period, the quantity of flour produced, mill stoppages during the season indicating the reasons, quantity of by-products obtained and percentage of wheat balance shall be kept in detail.

(b) The data maintained in the cost records shall be reconciled with the periodical returns submitted by the company to excise and other authorities.

(c) Companies may develop an appropriate standard for use as a basis to

evaluate performance properly.

#### XVII. COMPANY INFORMATION

1. Name of the Company.
2. Date of Incorporation.
3. Location of Registered Office.
4. Location of Factory/Factories.
5. Products other than flour being produced.
6. Installed Wheat milling Capacity in tones.

#### XVIII. ADMINISTRATION, SELLING AND DISTRIBUTION

Adequate records shall be maintained showing the items comprising administration, selling and distribution expenses and apportionment thereof to the different products and the basis of allocation of overhead cost shall be indicated in the records.

#### XIX. PRODUCTION DATA

S. No. (1)	Particulars (2)	Current Year (3)	Previous Year (4)
1	<b>WHEAT MILLED</b> Date of start Date of Finish Duration of run days Total number of hours in duration Total number of hours of actual Milling Total numbers of hour lost  <b>Total wheat milled (tonnes)</b>  <b>BY- PRODUCTS</b> If any		
	<b>CLARIFICATION PROCESS</b> Specify the process used by the mill		



**Annexure 1.**

Form B-1  
 (Annexure to Form 27)

**STATEMENT SHOWING COST OF PRODUCTION & SALE OF BAGGED FLOUR FOR THE YEAR ENDED**

Quantitative Data – Bagged Flour  
 Opening Stock (M.Ton)

Production (M.Ton)  
 Closing Stock (M.Ton)  
 Sales (M.Ton)

S.No (1)	Particulars (2)	Current Year		Previous Year	
		Amount Rs.	Cost per Ton of Flour	Amount Rs.	Cost per Ton of Flour
1	Raw Materials: • Wheat (Annex 3)				
2	Salaries/Wages and benefits (Annex 5)				
3	Consumable Stores				
4	Repairs and maintenance				
5	<b>Utilities</b>				
6	Electric Power (Annex 6)				
7	Water & Gas				
8	Insurance				
9	Depreciation				
10	Other Factory Overheads (Annex 7)				
11	Total Cost				
12	ADD : Opening Stock of W.I.P.				
13	LESS : Closing Stock of W.I.P.				
14	Total Cost of goods Manufacturing				
15	Less: Realisable value of By-Products if any				
16	Net Cost of goods Manufacturing:				
17	Add: Packing Material & Handling				
18	Net Cost of Bagged Flour				
19	Add: Excise Duty / sales tax				
20	Total Cost of Bagged Flour:				
21	Add: Opening Stock of Flour				
22	Less: Closing Stock of Flour				
23	Cost of Sales				
24	Administrative Expenses (Annex 8)				
25	Selling & Distribution Expenses (Annex 9)				
26	Financial Expenses				
27	Other Charges				
	<b>Total Cost to Make and Sell</b>				

**Annexure 2**

**STATEMENT SHOWING COST OF WHEAT PRODUCED  
FOR THE YEAR ENDED**

S.No (1)	Particulars (2)	Current Year		Previous Year	
		Quantity Rs (3)	Amount Rs (4)	Quantity Rs. (5)	Amount Rs (6)
1	<b>Seeds and Other Inputs</b> Seed Fertilizers, herbicides etc. Insecticides Abiana/Water Charges Total Cost of Inputs				
2	<b>Labour Cost</b> Land preparation Plantation Operation of Tractors Harvesting Total Labour Cost				
3	<b>Other Cost</b> Fuel for Tractors operation Maintenance and over haul of Tractors Insurance Interest expenses Depreciation of equipments Rent of agriculture equipments (if any) Total Other Costs				
	Total Cost of own production (1+2+3) Sales value at controlled price Profit/Loss on own production				

Note: This Annexure will be prepared by those enterprises which cultivate Wheat on their own farms.

## Annexure 3

## STATEMENT SHOWING COST OF WHEAT MILLED FOR THE YEAR ENDED

S. No. (1)	Particulars (2)	Current Year			Previous Year		
		Quantity M. Ton (3)	Rate Rs./M. Ton (4)	Amount Rs. (5)	Quantity M. Ton (6)	Rate Rs./M. Ton (7)	Amount Rs. (8)
1.	Total wheat purchased at Government fixed rate						
	Wheat produced from own farm (Annex 2)						
	Less: Loss in transit						
	Wheat received at factory gate						
2.	Commission						
3.	Quality premium						
4.	Loading/unloading charges						
5.	Wheat development expenses:						
	a) Salaries and Wages of Supply and Development Staff						
	b) Wheat Development Research						
	c) Supply staff and transportation expenses						
	d) Other expenditure						
6.	Taxes and Levies:						
	a) Wheat purchase tax						
	b) Market committee fee						
	c) Road Tax						
	d) Octroi, if any						
	e) Other levies						
7.	Transportation Charges						
	a) Delivery expenses						
	b) Transport subsidy						
	c) Others						
8.	Other Expenditures at Wheat Collection Centers						
	a) Salaries and Wages						
	b) Stores						
	c) Repairs and Maintenance						
	d) Others						
9	Total cost of 'Wheat' Transferred to production processes (Annex 1)						

Notes: 1. Wheat supplied from own farm shall be charged at controlled rate & the profit/loss on farm shall be taken to profit & loss account directly.

2. All expenses relating to own farm shall be excluded from this Annexure.

## Annexure 4

**STATEMENT SHOWING COST OF PROCESS MATERIAL CONSUMED  
FOR THE YEAR ENDED**

S.No (1)	Particulars (2)	Current Season		Previous Season	
		Amount Rs	Cost per Ton of Flour	Amount Rs,	Cost per Ton of Flour
	Total Flour Produced (M-Tons)				
1.	Materials (if any)				
2.	Laboratory Chemicals				
3.	Filter Cloth/ Material				
4.	Sewing Thread				
5.	Cleaning Brushes				
6.	Lubricant and Grease				
7.	Other (Specify)				
	Total				
	Less allocated to				
	(a) Electricity generation				
	(b) Raw Material				
	(c) Admin Expenses				
	(d) Selling and Distribution Expenditure				
	(e) Any Other Specify				
	Balance transferred to production process				
	Annexure 1:				

Annexure 5

**STATEMENT SHOWING COST OF SALARIES, WAGES AND BENEFITS FOR THE YEAR ENDED**

S. No. (1)	Particulars (2)	Current Year		Previous Year	
		Amount Rs (3)	Cost per Ton of Flour (4)	Amount Rs. (5)	Cost per Ton of Flour (6)
	<b>Total Flour Produced (M -Tons)</b>				
	<b>Cost</b>				
<b>1.</b>	<b>Salaries/Wages:</b>				
(i)	Officers and Permanent Staff				
(ii)	Seasonal Staff				
(iii)	Daily rated and Contract Labour				
(iv)	Bonuses				
<b>2.</b>	<b>Benefits:</b>				
(i)	Medical Expenses				
(ii)	Entertainment				
(iii)	Welfare, Recreation				
(iv)	Transport and Travelling				
(v)	Education Cess/Expenses				
(vi)	Group Insurance/Workmen Comp.				
(vii)	Insurance				
(viii)	Prov. Fund (Employer's Contribution)				
(ix)	Gratuity/Pension				
(x)	Other Benefits (if any)				
	<b>Total</b>				
	<b>Less allocated to-</b>				
	(a). Electricity Generation				
	(b). Raw Material				
	(c). Admin Expenses				
	(d). Selling & Distribution Expenses				
	(e). Any Other Specify				
	<b>Balance transferred to production process (Annexure)</b>				

## Annexure 6

## STATEMENT OF COST OF ELECTRIC POWER PURCHASED / GENERATED &amp; CONSUMED FOR THE YEAR ENDED

	Current Year	Previous Year	Variance
1. Installed Capacity (KWH)			
2. No. of units generated (KWH)			
3. No. of units purchased (KWH)			
4. Total (2+3)			
5. Consumption in Power House including other losses			
6. Net units consumed (4-5)			
7. Percentage of Consumption and losses to total units Available = 5/4 * 100			
8. Percentage of power generated to installed capacity 2/1 * 100			

S. No. (1)	Particulars (2)	Current Year			Previous Year		
		Quantity M. Ton (3)	Rate Rs./M. Ton (4)	Amount Rs. (5)	Quantity M. Ton (6)	Rate Rs./M. Ton (7)	Amount Rs. (8)
1.	Consumable Stores						
2.	Salaries and Wages						
3.	Other direct expenses						
4.	Repairs and maintenance						
5.	Duty on electricity						
6.	Depreciation						
	Total						
	Less: a) Credit for exhaust steam used in process etc.						
	b) Other credits, if any						
	Cost of power generated						
	Less: Cost of power sold						
	Add: Cost of power purchased						
	Total net cost of power consumed						
	Cost per unit average						
	<b>ALLOCATIONS</b>						
	Total at item 12 allocated to:						
	• Bagged Flour						
	• Self-consumption						
	• Others:						
	- Staff colony						
	- Office building						
	- Other (specify)						
	Total net cost of power consumed						

Notes: Cost per unit shall be worked out with reference to the net units of power available for use after deducting consumption in the power house and other losses.

Annexure 7

STATEMENT SHOWING OTHER FACTORY OVERHEADS FOR THE YEAR ENDED

S. No	Description	Amount in Rupees			
		Current Year		Previous Year	
		Amount Rs	Cost per Ton of Flour	Amount Rs.	Cost per Ton of Flour
	<b>Total Flour Produced (M-Tons)</b>				
	<b>Cost</b>				
1	Rent, Rate and Taxes				
2	Printing & Stationery				
3	Postage & Telegram				
4	Telephone Fax & Telex				
5	Travelling & Conveyance				
6	Subscriptions, Books & Periodicals				
7	Entertainment				
8	Vehicle Running Expenses				
9	Security				
10	Fire Fighting				
11	Other Expenses				
12	<b>Total</b>				
	Allocated to i) Bagged Flour ii) Electric Power House iii) Others: a) Staff colony b) Office building etc.				
	<b>Total as per item 12 above</b>				

Note: 1. Bases of allocation should be disclosed.

2. Expenses are illustrative only. Companies should provide in detail all items of general overheads.

**Annexure 8**

**STATEMENT SHOWING ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED**

S. No	Particulars	Current Year		Previous Year	
		Amount Rs	Cost per Ton of Flour	Amount Rs.	Cost per Ton of Flour
1.	Total Flour Sold (M-Tons)				
2.	Cost				
-	Salaries, Wages & Benefits (Annex 6)				
-	Rent, Rate and Taxes				
-	Insurance				
-	Water, Gas & Electricity				
-	Printing & Stationery				
-	Postage & Telegram				
-	Telephone Fax & Telex				
-	Repair & Maintenance				
-	Travelling & Conveyance				
+	Subscriptions, Books & Periodicals				
-	Entertainment				
+	Advertising				
-	Legal & Professional Expenses				
-	Auditors remuneration				
-	Vehicle Running Expenses				
-	Charity & Donation				
-	Others				
	<b>Total</b>				



Annexure 9

STATEMENT SHOWING SELLING EXPENSES DURING THE YEAR ENDED

S. No.	Particulars	Current Year		Previous Year	
		Amount Rs.	Cost per Ton of Flour	Amount Rs.	Cost per Ton of Flour
1.	Total Flour Sold (M-Tons)				
2.	Cost				
-	Salaries, Wages & Benefits (Annex 6)				
-	Travelling & Conveyance				
-	Commission				
-	Freight Outwards				
-	Stacking/Restacking				
-	Loading/Unloading				
-	Export Expenses				
-	Vehicle Running Expenses				
-	Advertising for Sales Promotion				
-	Other Expenses				
	Total				

