General Circular No. 67/2011

52/13/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch
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'B-1' Wing, 2nd Floor,
Paryavaran Bhawan,
CGO Complex, Lodhi Road,
New Delhi – 110 003

Dated the November 30, 2011

To,

The President,
Institute of Cost and Works Accountants of India,
12, Sudder Street,
Kolkata – 700 016

Subject: Cost Accounting Records and Cost Audit – clarifications about coverage of certain sectors thereunder.

Sir,

Ministry has examined various issues raised by the companies and/or professionals in connection with the recently issued circulars/notifications concerning cost accounting records and coverage of cost audit. To remove doubts and ambiguities, the following clarifications are issued:

(a) That the Companies (Cost Accounting Records) Rules, 2011 are not applicable to:

(i) Wholesale or retail trading activities.

(ii) Banking, financial, leasing, investment, insurance, education, healthcare, tourism, travel, hospitality, recreation, transport services, business/professional consultancy, IT & IT enabled services, research & development, postal/courier services, etc. unless any of these have been specifically covered under any other Cost Accounting Records Rules.

(iii) Companies engaged in rendering job work operations or contracting/ sub-contracting activities, and are paid only the job work or conversion charges, such as tailoring, baking, repairing, painting, printing, constructing, servicing, etc.

(iv) Companies engaged in the production, processing, manufacturing or mining activities till such time they commences their commercial operations.

(v) Ancillary products/activities of companies incidental to their main operations (i.e. products/activities that do not constitute their main line of business) and wherein the total turnover from the sale of each such ancillary products/activities do not exceed 2% of the total

turnover of the company or Rs.20 crores, whichever is lower. However, required details of all such ancillary products/activities may be maintained under a miscellaneous group and disclosed appropriately.

(b) That the Cost Audit Orders [no. 52/26/CAB-2010 dated 2nd May 2011 and 30th June 2011] shall not apply to the following cases:

(i) Generation of electricity for captive consumption. For this purpose, the term "Captive Generating Plant" shall have the same meaning as assigned in Rule 3 of the Electricity Rules, 2005.

(ii) Own manufactured products that are consumed exclusively by the company for the sole purpose of production, processing, manufacturing, or mining of its other products or activities that are subject to cost audit.

(iii) Hundred percent Export Oriented Units.

(c) That only such items falling under the relevant chapter(s) of the Central Excise Tariff Act, 1985 as constitute intermediate or final or allied products of the industry mentioned in the Cost Audit Order dated 30th June 2011 shall be covered under cost audit and all other items not related to the industry shall be outside the purview of said orders.

For the purpose of these orders, the words "intermediate products" mean only such products that have already undergone partial manufacturing/ production process and are used as inputs for the production, processing, manufacturing or mining of the final products of the industries listed in the said order; the words "articles or allied products thereof" refer to such articles or allied products that are produced either wholly or predominantly [not less than 50% by weight or volume] by using the listed products as their primary inputs.

To explain this aspect further, the following clarifications are given as illustrations:

(i) For Paints & Varnish industry, all other items such as tanning or dyeing extracts, tanning & their derivatives, dyes, pigments & other colouring matters, putty & other mastics, printing inks, etc. mentioned in Chapter 32 of the Central Excise Tariff Act, 1985 are not covered unless such items are used as intermediates for the production of Paints & Varnishes or are produced as their allied products.

(ii) For Tyres & Tubes industry, all other items such as natural or synthetic or reclaimed rubber, compounded rubber, hard rubber, rubber thread or cord, conveyer or transmission belts, articles of rubber, etc. mentioned in Chapter 40 of the Central Excise Tariff Act, 1985 are not covered unless such items are used as intermediates for the production of Tyres & Tubes or are produced as their allied products.

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(iii) Examples of intermediate products include clinker for cement, pulp for paper, sponge iron & pig iron for steel, etc. Examples of articles or allied products of cement include cement bricks, sleepers, pipes; of paper include cartons, boxes, bags, registers; and of steel include ingots, blooms, billets, slabs, beams, angles, tees, channels, pilings, rails, bars, wire, nails, plates, pipes, tubes, coils, sheets, etc.

2. In case of any doubt, companies are requested to refer their cases to this office for clarification by giving complete details. The Institute is requested to circulate this General Circular for information of all concerned.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)

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2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Addl. Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (DR) / DII (Policy)
7. PS to Economic Adviser

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