

MINISTRY OF FINANCE AND COMPANY AFFAIRS

(DEPARTMENT OF COMPANY AFFAIRS)

NOTIFICATION

NEW DELHI, the 8th October, 2002

G.S.R.686 (E). - In exercise of the powers conferred by sub-section (1) of section 642, read with clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules, namely: -

1. Short Title and Commencement- (1) These rules may be called the Cost Accounting Records **(Petroleum Industry)** Rules, 2002.

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

2. Application. - They shall apply to every company engaged in production, processing and manufacturing of crude oil, gases (including Compressed Natural Gas or Liquefied Natural Gas and re-gasification thereof) or any other petroleum products:

Provided that these rules shall not apply to a company, -

- (a) the aggregate value of the machinery and plant installed wherein, as on the last date of the preceding financial year, does not exceed the limits as specified for a small scale industrial undertakings under the provisions of Industries (Development and Regulation) Act, 1951 (65 of 1951); **and**
- (b) the aggregate value of the turnover made by the company from the sale or supply of all its products during the preceding financial year does not exceed ten crore rupees.

3. Maintenance of records. - (1) Every company to which these rules apply shall, in respect of each of its financial year commencing on or after the 1st day of April, 2003 keep proper books of accounts relating to the utilisation of materials, labour and other items of cost in so far as they are applicable to any of the products or activities referred to in rule 2. The books of account, so maintained shall contain, inter-alia, the particulars specified in Schedule annexed to these rules and Proformae A to I mentioned in the said schedule:

Provided that if the said company is manufacturing any other product(s) or is engaged in other activities in addition to the products or activities referred to in rule 2, the particulars relating to utilisation of materials, labour and other items of cost in so far as they are applicable to such other products or activities shall not be included in the cost of the product or activities referred to in rule 2.

(2) The books of accounts referred to in sub-rule (1) shall be kept on a regular basis in such a manner as to make it possible to calculate the cost of each product or activity referred to in rule 2 for every financial year from the particulars entered therein. Every such books of account and the proformae specified in the said Schedule, shall be completed not later than ninety days from the close of the financial year of the company to which it relates.

(3) The Statistical and other records shall be maintained in accordance with the provisions of the Schedule to these rules in such a manner as to enable the company to exercise, as far as possible, control over the various operations and costs with a view to achieve optimum economies in cost. These records shall also provide the necessary data required by the Cost Auditor to suitably report on all the points referred to in Cost Audit (Report) Rules, 2001 as amended from time to time.

(4) It shall be the duty of every person, referred to in sub-section (6) and (7) of section 209 of Companies Act, 1956 (1 of 1956), to take all reasonable steps to secure compliance by the company with the provisions of sub rules (1), (2) and (3) of this rule in the same manner as he is liable to maintain accounts required under sub section (1) of section 209 of the said Act.

4. Penalty - If a company contravenes the provisions of rule 3, the company and every officer thereof who is in default, including the persons referred to in sub-rule (4) of rule 3 shall, be punishable as provided under sub-section (2) of section 642 read with sub-sections (5) and (7) of section 209 of Companies Act, 1956 (1 of 1956).

"SCHEDULE
[See rule 3]

- 1. MATERIALS.** - (1) The proper records shall be maintained showing separately all the receipts, issues and balances, both in quantities and values of each item of materials, consumable stores, casings and other tubular items, chemicals, tools, drilling bits, spares etc. required for producing, processing or manufacturing of the products or activities referred to in rule 2. The cost shall include all direct charges up to supply base or refinery. The basis on which the cost of issue and consumption has been calculated shall be indicated in cost records and followed consistently. In the case of consumable stores and small tools the cost of which are insignificant, the company may, if it so desires, maintain such records for the group of such consumable stores and tools. The cost of materials, consumable stores, casings and other tubular items, chemicals, drilling bits, tools and spares etc. shall be properly identified and charged to the relevant departments, cost centres or activities, on equitable and reasonable basis and applied consistently.

(2) Where joint products or more than one product of equal economic importance arises from a process, the cost up to the point of separation of products shall be apportioned to such joint products on reasonable and equitable basis and shall be applied consistently. The basis on which such joint costs are apportioned to different products arising from the process or processes shall be indicated in the cost records. The basis of the apportionment of common selling and distribution expenses to the product in the case of multiproduct unit shall be equitable and applied consistently

(3) The proper records shall be maintained indicating the quantity as well as value of by-products recovered in the different processes having significant value of the cost of input of materials. In the case of certain by-products recovered, which cannot be reused in the process and are sold or disposed of without further processing, the realisation from such sales shall be recorded and adjusted against the process concerned on a reasonable basis. In case further processing is necessary to make the by-products usable or saleable, as the case may be, adequate records of the cost involved for such further processing shall be maintained. If such processing is done by any outside agency, proper records to show the quantity sent for processing, quantity received back after processing and the cost incurred thereon shall be maintained in detail. The net realisation, if any shall be adjusted against the major process relatable to such by-product. The cost of by-products shall be determined on equitable and reasonable basis and applied consistently.

(4) The proper records shall be maintained showing the quantity and value of wastage, spoilage, rejections and losses of materials, process materials, consumable stores whether in transit, storage, manufacture or at any other stage. The method followed for adjusting the above losses as well as the income derived from the disposal of rejected and waste materials including spoilage, if any, in determining the cost of product shall be indicated in the cost records. Any abnormal wastage or spoilage or rejection shall be indicated distinctly and separately along with reasons thereof.

(5) Where any credit under Central Value Added Tax (CENVAT) under the Central Excise Act, 1944 (1 of 1944) or any other benefit such as duty drawbacks or any other similar items of credit, received or receivables on any item of material and/or consumables stores or spares, the cost of such material and or consumable stores or spares should be shown after adjusting such credit or benefits.
- 2. SALARIES AND WAGES.** - (1) The Proper records shall be maintained to show the attendance and earnings of all employees of the cost centers or departments and the work on which they are employed. The records shall also indicate the following

separately for each cost or work centre or department in line with the accepted Standards and Practices.

- (a) piece rate wages (wherever applicable);
- (b) incentive wages, either individually or collectively as production bonus or under any other scheme based on output;
- (c) overtime wages;
- (d) earnings of casual or contractual labour;
- (e) bonus or gratuity, statutory as well as other;
- (f) contribution to superannuation scheme; and
- (g) any other earning of the nature specified in (a) to (f) above.

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

(3) Any wages and salaries allocable to capital works, such as, additions to plant and machinery, buildings or other fixed assets of any activity etc. shall be accounted for under the relevant heads. Similarly, payments in the nature of deferred revenue expenditure shall be separately recorded under separate classified headings indicating the reasons therefor. The method followed for accounting of such payments in determining the cost of the product or activity shall be on equitable and reasonable basis and applied consistently. The said method shall be disclosed in the cost records also.

(4) The cost of termination benefits payable to employees shall be separately recorded under separate classified heads. The method followed for such cost in determining the cost of the product or activities referred to in rule 2 shall be on equitable and reasonable basis, applied consistently and disclosed separately. Only the termination benefits say in respect of voluntary retirement scheme, which are payable in addition to the normal retirement benefits and are likely to provide benefits in terms of savings in cost in future shall be treated as deferred revenue expenditure over a period not exceeding five years. These costs shall not form part of salaries and wages and shall be shown separately. Such costs shall be excluded from valuation of inventories since these do not result in putting the inventories to their present location and condition.

3. SERVICE DEPARTMENT EXPENSES. - The proper records shall be maintained to indicate expenses incurred in respect of each service department or cost centre like laboratory, transport, dispensary, township, fire fighting security, etc. These expenses wherever significant and material shall be apportioned to relevant product or activities on equitable and reasonable basis and applied consistently. Where these services are utilised for other products or activities of the company also, the basis of apportionment of such expenses to the products or activities referred to in rule 2 and others shall be equitable and clearly indicated in the records and applied consistently.

4. UTILITIES. - The Cost Statements for each utility shall be maintained separately in Proforma 'A'. Wherever such utility is functionally independent and not forming part of a composite unit.

(1) Water: - Proper records showing the quantity and cost of treated or cooling water produced and consumed, if any, for production, processing and manufacturing of the products or activities referred to in rule 2 in different cost centres or departments shall be

maintained. The cost of treated water apportioned to the cost centers or departments concerned shall be on equitable and reasonable basis and applied consistently.

(2) Steam: - Where steam is raised by the company, proper records showing the quantity and cost of steam raised and consumed for the production, processing or manufacturing of the products or activities referred to in rule 2 shall be maintained. The cost of steam consumed by various units like the petroleum, refining etc., and by other units of the company shall be apportioned on equitable and reasonable basis and applied consistently. Where steam is raised and supplied by any other unit of the company to the referred plant, the cost of steam so supplied shall be charged to the referred Plant on equitable and reasonable basis and applied consistently.

(3) Power: - Proper records shall be maintained for the quantity and cost of power purchased for the production, processing or manufacturing of the products or the activities referred to in rule 2 in different cost centers or departments. Where power is generated by the company itself, adequate records, showing all elements of cost shall be maintained to show the cost of power generated and consumed for the products or activities under reference in different work centers or departments. Records shall also indicate installed capacity, number of units generated, losses and consumption in each work centers or departments separately. Where power is generated, and supplied by any other unit of the company to the plant producing, processing or manufacturing the products or activities under reference, adequate records shall be maintained to indicate the quantity and cost of power so supplied. The cost of power allocated to products or activities referred to in rule 2 shall be on equitable and reasonable basis and applied consistently. The records should state clearly the measures taken on conservation of energy and its corresponding impact on unit cost of production.

(4) Other Utilities: - The proper records showing quantity and cost shall be maintained in respect of any other utilities produced or purchased or utilised or installed by the company such as effluent treatment plant etc for producing, processing and manufacturing the product or activities referred to in rule 2.

5. WORKSHOP OR REPAIRS AND MAINTENANCE OR TOOL ROOMS. - (1) The Proper records showing the expenditure incurred by the workshop or tool room under different heads and on repairs and maintenance in the various cost centers or departments or plant wise or oil fields wise shall be maintained. The records shall also indicate the basis of charging the workshop or tool room or repairs and maintenance expenses to different cost centers or departments or plant wise or oil fields wise. Where maintenance work is done by direct workers of any production cost center or department, the wages and salaries of such workers shall be treated as direct expenses of the respective cost centre or department. If the services are utilised for other products or activities also, the manner of charging a share to such products or activities shall be on equitable and reasonable basis and applied consistently.

(2) The records shall indicate the amount and also the proportion of closing inventory of stores and spare parts representing items, which have not moved for over 24 months.

(3) The expenditure on major repair works from which benefit is likely to accrue for more than one financial year shall be deferred over the period expected to benefit on a reasonable and equitable basis and applied consistently. Such cost shall be shown separately and the method of accounting along with the basis of allocation of such costs shall also be clearly indicated in cost records.

6. FIXED ASSETS AND DEPRECIATION. - (1) The proper and adequate records shall be maintained for assets used for exploration for and production, processing and

manufacturing of the products or activities referred under rule 2 in respect of which depreciation has to be provided for. These records shall inter alia, indicate grouping of assets under each product or activity referred under rule 2, the cost of each item of assets including installation charges, date of acquisition and rate of depreciation.

(2) Also such records as will enable to identify and/or allocate gross fixed assets, accumulated depreciation up to the year and net fixed assets under the heads; land and buildings, plant and machinery, furniture and fixtures etc. employed for products or activities referred under rule 2 along with the method and rate of depreciation shall be maintained. The basis of apportionment of common assets to the products or activities under reference shall also be indicated. In case of revaluation of assets, the same shall be indicated separately and shall not be included in the cost statement. The basis of allocation of depreciation on indirect assets to the products or activities under reference shall be on equitable and reasonable basis and applied consistently.

(3) The basis on which depreciation is calculated and allocated or apportioned to various cost centers or departments and absorbed on all products shall be clearly indicated in the cost records. If depreciation charged or chargeable to the cost centers or departments is in excess or lower than the depreciation calculated by applying the rates of depreciation prescribed under the provisions of sub-section (2) of Section 205 of the Companies Act, 1956 (1 of 1956), such amount of excess or lower depreciation, shall be indicated clearly in the cost records. The cost records shall also show the effect of such excess or lower depreciation as the case may be, on the per unit cost of each respective product or activity. The cumulative depreciation charged in the cost records, against any individual item of asset shall not, however, exceed the original cost of the respective asset.

(4) The cost incurred on exploration and development of new oil fields shall be treated and amortised in accordance with the method of costing followed, namely, "Full Cost Method" or "Successful Efforts Method" etc. The method of costing followed shall be disclosed and followed consistently.

7. **SURVEY COST.** - The proper records shall be maintained showing basin wise details of survey cost, if any, incurred by geological field parties, seismic field parties, gravity magnetic parties, shallow drilling parties, etc. These records shall contain details of expenses incurred such as salaries and wages, explosives and detonators, stores and spares, repair and maintenance, contractual payment if any, depreciation etc so as to enable the company determine the cost of survey as per respective Proforma. The records shall also indicate the treatment of survey cost.

8. **EXPLORATIONS AND DEVELOPMENT DRILLING COST.** - (1) The Proper records shall be maintained for the expenses incurred in exploration and development of area covered by a petroleum exploration license or a mining lease for exploration for or production of crude oil and natural gas. These details shall be prepared for onshore and offshore separately. The cost incurred for acquisition of exploration license or mining lease and acquisition of properties shall be treated as deferred revenue expenditure and charged off on a reasonable and equitable basis. Adequate records shall also be maintained as per respective Proforma showing details of exploratory drilling/development expenses incurred on preparatory cost, rig operation cost, transport, well maintenance, other services and depreciation etc. The records shall indicate details of successful or undecided exploratory wells carried as wells-in-progress and successful wells after commercial production created as '**producing properties**'. The producing properties shall be depleted applying unit of production method considering the proved developed hydrocarbon reserves or any other methods as per the accepted standards and practices.

(2) The proper records shall be maintained showing details of expenses incurred or provision made in respect of dismantling, abandoning and restoring of on-shore or off shore well sites abandoned during the year and basis followed for charging the abandonment and restoration cost to the product.

(3) The proper records shall be maintained in respect of provision made towards impairment of the properties.

9. OTHER OVERHEADS. - (1) The proper records shall be maintained for the products or activities under reference showing the various items of expenses comprising the other overheads. These expenses shall be analysed, classified and grouped according to activities, namely exploration and production of crude oil and gases, refining and transportation etc. and administration, installation and distribution of these products in line with accepted standards and practices.

(2) Where the company is manufacturing products other than the products or activities under reference, the records shall clearly indicate the basis followed for apportionment of the common overheads including head office expenses of the company to such products and to products or activities under reference including capital works as applicable. Where certain expenses forming part of overhead can be identified with a particular activity or a product, such expenses shall be segregated and charged to the relevant activity or product in the first instance and thereafter the residual expenses under the above categories of overheads shall be apportioned on a reasonable and equitable basis and applied consistently. The overheads chargeable to capital works shall be indicated separately in the cost records. The basis of apportionment or absorption of overheads to the cost or work centers or departments and products shall be indicated in the cost records. The records shall be maintained in such a manner as to indicate the details of other overheads for exploration, production, transportation, refining, administrative and marketing and distribution etc, as applicable.

10. ROYALTY OR TECHNICAL KNOW-HOW FEE OR LEASING CHARGES. - (1) The adequate records shall be maintained showing the royalty and/or technical know-how fee including other recurring or non-recurring payments of similar nature if any, made for the products or activities under reference to collaborators or technology suppliers in terms of agreements entered into with them. Such records shall be kept separately in respect of each such collaborator or supplier. The basis of charging such amount, including lump sum payment and its treatment shall be indicated in the cost records.

(2) In the case of leasing arrangements, proper records shall be maintained showing details of terms and conditions, leasing charges paid or payable as well as received or receivable.

11. RESEARCH AND DEVELOPMENT EXPENSES. - (1) The Proper records showing the details of expenses, if any, incurred by the company for the research and development work on the products or activities covered under these rules according to the nature of development of products i.e. existing or new product or processes, development of process of manufacture, existing and new, design and development of new plant facilities and market research for the existing and new products etc., shall be maintained separately. The records shall also indicate the payments made to outside parties for the research and development work.

(2) The method of charging these expenses to the cost of products or activities under reference and all other products shall be indicated in the cost records. Where the utility of such research and development work extends over more than one financial year, such

expenses shall be treated as deferred revenue expenses and charged to the cost of production of the product or activities under reference and all other products if any, on a reasonable basis and applied consistently in line with the accepted standards and practices. The detailed criteria on which it is decided to extend the utility period of these expenses to more than one financial year shall be disclosed in the cost records. The following criteria, which are only indicative and not exhaustive, may be adopted in such cases:

- (i) the output or process is clearly defined and the costs attributable to the output or process can be separately identified;
- (ii) the technical feasibility of the output or process has been demonstrated;
- (iii) the management of the enterprise has indicated its intention to produce and market or use the output or process;
- (iv) there is a reasonable indication that current and future research and development costs to be incurred on the project together with expected production, administrative and selling costs are likely to be more than covered by related future revenues or benefits; and
- (v) adequate resources exist or are reasonably expected to be available to complete the project and market the output or process.

(3) The expenses incurred by the Research and Development Department for providing technical know-how to outsiders shall be recorded separately and excluded from the cost of products or activities under reference. The amount recovered for providing technical know-how to outsiders shall also be indicated separately and excluded from the income arising from the sale of output under reference.

12. QUALITY CONTROL. - The adequate records shall be maintained to indicate the expenses incurred in respect of quality control department or cost centre for products or activities under reference. Where these services are also utilised for other products of the company, the basis of apportionment to products or activities under reference and to other products shall be equitable and clearly indicated in the records and applied consistently.

13. TRANSPORTATION EXPENSES. - The proper records shall be maintained showing quantity transported, distance covered and cost incurred for transporting of crude oil and gas referred to in rule 2 by any of the modes of transport such as pipeline, ocean tankers and rail or road from the Central Tank Farm, Oil Collecting Stations and oil dispatch points, Gas Collecting Stations and gas dispatch points, or Process Platforms etc., as the case may be. The record shall also indicate the capacity of pipeline, throughput handled, its maintenance and security personnel cost etc. The record shall also indicate the cost of flow improver, chemicals used, if any, to enable the company to determine cost of transportation as per respective Proforma and quantity of additional petroleum products pumped through pipelines to meet higher seasonal demand.

14. PACKING EXPENSES. - In case of packing of products under reference for retail sales or retail marketing, the proper records shall be maintained showing the quantity and cost of various packing materials and other expenses incurred on packing for marketing of petroleum products. Where such expenses are incurred in common for other products also the basis of apportioning the expenses between the relevant products shall be clearly indicated in the cost records and applied consistently.

15. MARKETING & DISTRIBUTION EXPENSES. - The proper record shall be maintained for the quantity handled, stock loss, if any, and expenses incurred on marketing under various heads such as main installation, distribution and administration etc. The cost of marketing and distribution shall be indicated in respective Proforma.

16. EXPENSES OR INCENTIVES ON EXPORTS. - The proper records showing the expenses incurred on the export sales, if any, of the product under reference shall be separately maintained so that the cost of export sales can be determined correctly. Separate cost statement shall be prepared for product exported giving details of export expenses incurred and incentive earned. In case, duty free imports of input materials are made, the cost statements should reflect this fact.

17. INTEREST AND OTHER BORROWING COSTS. - The proper records shall be maintained for money borrowed for each project and/or working capital and interest charge thereon. The amount of interest and other borrowing costs shall be allocated or apportioned to the products or activities under reference and other products or activities on a reasonable and equitable basis, and applied consistently. The basis of further charging of the share of the interest and other borrowing costs to the various types of such products shall also be reasonable and equitable and the same shall be followed consistently. The basis of such allocation or apportionment shall be spelt out clearly in the cost records and statements. Net interest and other borrowing costs incurred for Project under execution shall be capitalised for the period up to the date the project is ready to commence commercial activities. However, capitalisation of borrowing costs should be suspended during extended periods in which active development is interrupted.

18. WORK IN PROGRESS AND FINISHED STOCK. - The method followed for determining the cost of work in progress and finished stock of the outputs shall be indicated in the cost records so as to reveal the cost element that have been taken into account in such computation. The appropriate share of conversion cost up to the stage of completion shall be taken into account while computing the cost of work in progress. The method adopted for determining the cost of work in progress and finished goods shall be followed consistently.

19. COST STATEMENTS. - (1) The Cost statement showing details of exploration, finding, production, refining and transportation etc. and all elements of cost of current financial year and previous year shall be prepared for the process and adopted for producing, processing and manufacturing of the products or activities referred under rule 2 in Proformae A to I.

(2) The output emerging from a process, which forms input for a subsequent process shall be valued at the cost of production up to the previous stage.

20. RECONCILIATION OF COST AND FINANCIAL ACCOUNTS. - (1) The Cost statements shall be reconciled with the financial statements for the financial year specifically indicating the expenses or incomes not considered in the cost records or statements so as to ensure accuracy and to adjudge the profit of the products or activities under reference with the overall profit of the company. The variations, if any, shall be clearly indicated and explained.

(2) A statement showing the total expenses incurred and income received by the company under different heads of accounts and the share applicable to the other activities or products shall be prepared and reconciled with the financial statement.

21. 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 activities and services under such system. The cost variances shall be shown against the separate heads and analysed into material, labour, and 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 product shall be indicated clearly in the cost records. The reasons for the variances shall be duly explained in the cost records and statements.

22. STATISTICAL RECORDS. - (1) The records regarding available rig days, operation hours or plant hours and actual utilisation, as may be applicable shall be maintained for products or activities under reference. Suitable records for computation of idle time of rig, plants, American Petroleum Institute (API) gravity of crude oil, its Sulphur contents, storage capacity at various marketing installations etc. as may be applicable shall also be maintained and analysed.

(2) The adequate records shall be maintained to enable the company to identify the capital employed, net fixed assets and working capital separately for different products, activities and other products and other activities to the extent such elements are separately identifiable. Non-identifiable items shall be allocated on a suitable and reasonable basis to different products, activities and other products and other activities. Fresh investments on fixed assets that have not contributed to the production or processing of products or activities under reference during the relevant period shall be indicated in the cost records. The records shall, in addition, show assets added as replacement and those added for increasing existing capacity.

(3) In the case of new major projects for product or activity referred to under rule 2, proper records shall be maintained indicating the funds raised from different sources, their utilization, stage-wise cost incurred and progress of the project as per the project report. Cost and time over run shall also be analysed with reference to the cost of services or activity and profitability of the company.

(4) Whenever WTO provisions are attracted, proper records shall be maintained to identify the competitiveness of the product in the domestic as well as global market. Adequate statistical records shall also be maintained to identify the market share of the product manufactured and the likely impact thereon on account of competitive goods imported into the country.

23. CAPTIVE CONSUMPTION. - If the products under reference are used for captive consumption, proper records shall be maintained showing the quantity and cost of each item of output transferred to other department or work centers of the company for self-consumption and sold to outside parties separately. The rates at which the transfers are affected shall be at cost only.

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

25. HUMAN RESOURCES DEVELOPMENT. - Expenditure incurred by the company on the human resources development activity shall be recorded separately.

26. INTER COMPANY TRANSACTIONS. - (1) In respect of related party transactions or supplies made or services rendered by a company to its holding company or subsidiary or a company termed "related party relationship" as defined below and vice-a-versa, records shall be maintained showing contracts entered into, agreements or understanding reached in respect of:

- (a) purchase and sale of raw materials, finished products, process materials, chemicals and rejected goods including scraps, etc;
- (b) utilisation of plant facilities and technical know-how;
- (c) supply of utilities and any other services;

- (d) administrative, technical, managerial and/or any other consultancy services;
- (e) purchase and sale of capital goods including plant and machinery;
- (f) any other payment related to production, processing or manufacturing of product under reference.

These records shall also indicate the basis followed for arriving at the rates charged or paid for such products or services so as to enable determination of the reasonableness of such rates in so far as they are in any way related to product under reference.

(2) The transactions by the following “related party relationships” shall be covered under sub rule (1): -

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) key management personnel and relatives of such personnel; and
- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

However, the following shall not be deemed as “related party relationships”: -

- (a) Two companies simply because they have a Director in common, notwithstanding paragraph (d) or (e) above (unless the Director is able to affect the policies of both companies in their mutual dealings);
- (b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
- (c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process);
 - i. providers of finance;
 - ii. trade unions;
 - iii public utilities;
 - iv Government departments and Government agencies including Government sponsored bodies.

Explanations: - for the purpose of these rules,-

(a) “related party relationships” means parties who are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions;

(b) “related party transaction” means a transfer of resources or obligations between related parties, regardless of whether or not a price is charged;

(c) “control” means (i) ownership, directly or indirectly, of more than one-half of the voting power of an enterprise; or

(ii) control of the composition of the Board of Directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise; or

(iii) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise;

(d) “significant influence” means participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies;

(e) “an Associate” means an enterprise in which an investing reporting party has significant influence and which is neither a subsidiary nor a joint venture of that party;

(f) “a Joint venture” means a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control;

(g) “joint control” means the contractually agreed sharing of power to govern the financial and operating policies of an economic activity so as to obtain benefits from it;

(h) “key management personnel” means those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise;

(i) “relative” means in relation to an individual, means the spouse, son, daughter, brother, sister, father and mother who may be connected by blood relationships;

(j) “holding company” means a company having one or more subsidiaries;

(k) “subsidiary” means a subsidiary within the meaning of Section 4 of the companies Act, 1956(1 of 1956);

(l) “fellow subsidiary” means a company is said to be a fellow subsidiary of another company if both are subsidiaries of the same holding company;

(j) “state-controlled enterprise” means an enterprise, which is under the control of the Central Government or State Government.

PROFORMA 'A'

Name of the Company:.....
Statement showing the cost of Utilities like (1) Water (2) Power etc. produced or consumed during the year/period:.....

I Quantitative Information:

Serial Number	Particulars	Unit	Current year	Previous year
1.	Installed capacity			
2.	Quantity produced			
3.	Capacity utilization (%)			
4.	Quantity re-circulated			
5.	Quantity purchased, if any			
6.	Self consumption including losses (to be specified)			
7.	Net units available			

II Cost Information:

Serial Number	Particulars	Quantity	Rate per unit (Rs.)	Amount (Rupees in lacs)	Cost per Unit	
					Current Year (Rupees)	Previous Year (Rupees)
A 1.	Materials or Chemical (specify) (a) (b) (c)					
2.	Utilities (specify) (a) (b) (c)					
3.	Wages and Salaries					
4.	Consumable Stores and Spares					
5.	Repairs and Maintenance					
6.	Depreciation					
7.	Other Direct Expenses, if any					
8.	Other Overheads					
9.	TOTAL					
10.	Less: Credit, if any					
11.	Net Total					
B.	Apportioned to cost centre/activity 1. 2. 3. 4.etc.					

Notes: -

1. Separate cost sheet is to be prepared for each major utility having significant impact on cost, whenever such utility is functionally independent and not forming part of composite unit.
2. If any of the utilities, which are manufactured by the company, is sold to outside parties, proper credit should be given in the cost of production of the respective utility.
3. The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
4. Delete items not applicable.

Proforma 'B'

Name of the company:
 Statement showing the details of Survey Cost during the year
 ending:.....

I Cost Information:

Serial Number	Particulars	Brought Forward (Rupees in lacs)	Current year Amount (Rupees in lacs)	Total Amount (Rupees in lacs)
1.	Materials a)Explosives and Detonators b)Others(to be specified)			
2.	Salaries and Wages			
3.	Contractual Services (a) Shot Hole Drilling (b) Other Contractual Payments (c) Others (to be specified)			
4.	Other direct Expenses (a) Data Processing cost (b) Data Interpretation Cost (c) Others (to be specified)			
5.	Repairs and Maintenance			
6.	Depreciation			
7.	Royalty or Technical Know-How or Lease Rent			
8.	Administration. Overheads			
9.	Others (to be specified)			
10	Total Survey Cost			

II Status

SI.No.	Particulars	Total
1.	Cost of Survey transferred to Producing Properties.	
2.	Cost of Survey directly charged off to Cost of production	
3.	Cost of Survey carried forward	
4.	Others (to be specified)	
	Total Survey Cost	

Notes: -

1. The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
2. Delete items not applicable.

PROFORMA 'C'

Name of the Company
Area under Exploration/development: Offshore or Onshore.....
Statement showing Cost of Exploratory drilling or Development drilling during the year.....

I Quantitative Information

Sl.No.	Particulars	Unit	Current Year	Previous Year
1.	Meter drilled			
2.	Status of Wells (a) Under Drilling (b) Under Testing (c) Dry (d) Hydrocarbon Bearing (e) Service Wells			

II Cost Information

Sl.No.	Particulars	Amount (Rs.)		
		Brought forward	Current Year	Total
1.	Preparatory Cost (a) Land (b) Approach Road (c) Civil Work (d) Others (To be specified) (e) Total Preparatory Cost			
2.	Drilling – cost of Rig/or Drill ship Operation (a) Material Cost (i) (to be specified) (ii) (iii) Total (b) Salaries and Wages (c) Administrative Overhead (d) Repair and Maintenance (e) Others (to be specified) Total			
3.	Production Testing Cost			
4.	Other direct expenses (a) Cementing (b) Logging (c) Others(to be specified)			
5.	Well Materials			
6.	Depreciation (a) Rigs (b) Casing (c) Tubing (d) Drill Pipes (e) Well Head (f) Others (to be specified)			
7.	Royalty or Technical know-how			
8.	Lease rent, if any			

9.	Research and Development			
10.	Others (to be specified)			
11.	Administration Overhead			
12.	Total Cost			

III Status

Sl.No.	Particulars	Exploration Drilling	Development Drilling	Total
1.	Cost of successful wells transferred to producing property.			
2.	Service Wells transferred to Producing Properties.			
3.	Cost of abandoned or dry wells charged off			
4.	Cost of wells in progress carried forward			
5.	Others (to be specified)			
	Total			

Note:

- (1) Separate proforma to be prepared for Exploratory Drilling and Development Drilling.
- (2) The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
- (3) The column for "Brought forward" under the head "Amounts (Rs)" stands for amount charged towards wells-in-progress during the previous year.
- (4) Separate details shall be maintained for the expenses incurred for offshore and onshore activities.
- (5) Delete items not applicable.

Proforma 'D'

Name of the company:.....
Statement showing the Cost of Finding Proved Reserves Established during the
year ending:.....

I Quantitative Information:

Serial Number	Particulars	Unit	Current Year	Previous Year
1.	Number of wells for exploratory drilling			
2.	Number of wells for development drilling			
3.	Total Meterage drilled			
4.	Proved Reserves Established/Proved in terms of Oil equivalent			

II Cost Information:

Serial Number	Particulars	Amount		Cost per Unit	
		Current. Year (Rupees in lacs)	Previous. Year (Rupees in lacs)	Current. Year (Rupees)	Previous. Year (Rupees)
1.	Survey Cost (From Proforma B)				
2.	Exploration Drilling Cost (From Proforma C)				
3.	Development Drilling cost (From Proforma C)				
4.	Others (to be specified)				
5.	Total Finding Cost				

Notes: -

1. The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
2. Delete items not applicable.

Proforma 'E'

Name of the company:
Statement showing the Cost of intermediate-activities like Lifting, Conveying,
Treating and Transportation of Crude Oil and Natural Gas during the year
ending:.....

I Quantitative Information:

Serial Number	Particulars	Unit	Current Year	Previous Year
1.	Gross Production Crude Oil Natural Gas			
2.	Used for Mining Operation Crude Oil Natural Gas			
3.	Transit Loss Crude Oil Natural Gas			
4.	Unavoidable loss or flaring			
5.	Bottom Sediment and Water			
6.	Net production Crude Oil Natural Gas			
7.	Net Production in appropriate oil equivalent terms Crude oil Natural Gas Total in appropriate oil equivalent terms			
8.	Transferred to Refinery or Extraction plant Crude Oil Natural Gas			
9.	Sales Crude Oil Natural Gas			
10.	Trunk pipeline capacity for transportation to delivery point			
11.	Quantity throughput by pipeline			

II Cost Information:

A. Lifting

Serial Number	Particulars	Amount		Cost per Unit	
		Current. Year (Rupees)	Previous. Year (Rupees)	Current. Year (Rupees)	Previous. Year (Rupees)
1.	Salary and Wages				
2.	Power, Fuel and Water				
3.	Stores and spares or chemicals				
4.	Logistic Services or Transport Allocation				
5.	Repairs and Maintenance				

6.	Well Services (a) Work over (b) Water Injection (c) Gas Injection				
7.	Other Indirect Cost including Overhead (a) Service Overheads (b) Administration Overheads (c) Others (to be specified)				
8.	Depreciation				
9.	Depletion				
10.	Other costs (to be specified)				
11.	TOTAL LIFTING COST				

B. Cost of Conveying and Treating

Serial Number	Particulars	Amount		Cost per Unit	
		Current. Year (Rupees)	Previous. Year (Rupees)	Current. Year (Rupees)	Previous. Year (Rupees)
1.	Salary and Wages				
2.	Consumables Demulsifier and Desalter				
3.	Other Stores and spares or chemicals				
4.	Logistic Services or Transport Allocation				
5.	Repairs and Maintenance				
6.	Power and Fuel				
7.	Allocation				
8.	General Administration Overheads				
9.	Depreciation				
10.	Others to be specified				
11.	TOTAL COST OF CONVEYING and TREATING				

C. Cost of Transportation of Crude Oil or Natural Gas

Serial Number	Particulars	Amount		Cost per Unit	
		Current. Year (Rupees)	Previous. Year (Rupees)	Current. Year (Rupees)	Previous. Year (Rupees)
1.	Salary and Wages				
2.	Consumables (a) Pour Point				

	Depressant (PPD) or Flow Improver (b) Others				
3.	Crude Oil Conditioning Plant (COCP) Charges				
4.	Stores and spares or chemicals				
5.	Logistic Services or Transport Allocation				
6.	Repairs and Maintenance				
7.	Power and Fuel				
8.	General Administrative Overheads				
9.	Depreciation				
10.	Others to be specified				
11.	TOTAL COST OF TRANSPORTATION				
12.	Less: Amount received separately from customers , if any.				
13.	Net Cost				

Notes: -

1. Separate Proforma shall be prepared separately for onshore and offshore production.
2. The administration overheads shall be included in the cost of crude oil or gas only to the extent they contribute in putting the goods or services produced at the present location and condition. The balance of administrative overheads, if any, shall be included in the cost of goods or services sold. The proforma may be amended accordingly, if required.
3. The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
4. Wherever any company is engaged in transporting of crude oil or natural gas or other petroleum products, separate details as per C above shall be filled in respect of such transportation activity with suitable modifications, wherever required.
5. Delete items not applicable.

Proforma 'F'

Name of the company:.....

Name and address of the crude producing unit:.....

Statement showing the Cost of Production of Crude Oil and Natural Gas during the year ending:.....

1. Quantitative Information:

Serial Number	Particulars	Unit	Current Year	Previous Year
1.	Gross Production			
2.	Used for Mining Operation			
3.	Transit Loss			
4.	Net Production			

2. Cost Information

Serial Number	Particulars	Amount		Cost per Unit	Cost per Unit
		Current Year(Rupees in lacs)	Previous Year(Rupees in lacs)	Current. Year (Rupees)	Previous. Year (Rupees)
1.	Finding Cost (From Proforma D)				
2.	Lifting Cost (From Proforma E)				
3.	Cost of Conveying and Treatment (From Proforma E)				
4.	Cost of Exploratory or Development Drilling – Charged off , if any.				
5	Cost of transportation, if any (from Proforma E)				
6.	Cost of Survey charged off, if any				
7.	Provision for Impairment				
8.	Provision for Abandonment				
9.	Overhead: (a) Project (b) Regional (c) Headquarter				
10.	Royalty on production, if any				
11.	Statutory levies on production, if any				
12.	Other Expenses (to be specified)				
13.	Total Cost of Production				

B Transferred to:

Sl. No.	Products	Basis of apportionment of cost	Actual quantity	Equivalent quantity	Value Rs./Lakhs
	Transferred to : 1) Refinery or Extraction plant: Crude oil Natural Gas 2).Sales: Crude oil Natural Gas 3).Related Party transfer: Crude oil Natural Gas				

Notes: -

- (1) Separate cost statement shall be maintained in respect of Crude Oil and Natural Gas.
- (2) The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
- (3) If separate charges are levied from customers for transporting of Crude Oil or Natural Gas from CTF to delivery point, only the net cost shall be shown in point 5 above.
- (4) Delete items not applicable.

Proforma 'G'

Name of the company:.....

Name and address of the Fuel refining unit:

Statement showing the summary Cost of Refining for the year ending:.....

Name of the Product:.....

I Quantitative Information:

Serial Number	Particulars	UNIT	Current Year	Previous Year
1.	Installed capacity	MMTPA*		
2.	Crude or Gas refined	MMTPA*		
3.	Capacity utilisation	%AGE		
4.	Fuel and loss (quantity)	MT		
5.	Fuel loss (%)	%AGE		

*MMTPA: - Million Metric Tone Per Annum

II Cost Information:

Serial Number	Particulars	Quantity	Rate (Rupees per tonne)	Amount (Rupees in lacs)	Cost per Unit	
					Current. Year	Previous Year
A 1.	Material (a) Cost of captive crude oil or gas power transferred i) (Oil field to be specified) ii) iii) (b) Transportation Cost, if any. (c) Others (specify) (d) Total					
2.	Crude oil or gas Purchased (i) Indigenous (ii) Imported					
3.	Process material, Consumable stores and spares					
4.	Utilities (a) Water (b) Steam (c) Power (d) Others (specify) (e) Total					
5.	Wages and Salaries					
6.	Repair and Maintenance					

7.	Depreciation					
8.	Royalty or technical Know-how or Lease rent					
9.	Quality Control					
10.	Research and development					
11.	Other direct expenses (to be specified)					
12.	Administrative Overhead (a)Salaries and wages (b)Others (specify) (c)Total (a+b)					
13.	Total (1 to 12)					
14.	Stock Adjustment					
15.	Less Credit for wastage or by products (a) (Specify) (b) (c)					
16.	Total Cost					

B. Cost Apportioned to joint products

Serial Number	Products	Basis of apportionment of cost	Actual quantity	Equivalent Quantity	Value Rs./ Lakhs
	Total cost Apportioned to: i) Related Party Transfer a) (to be specified) b) c) ii) Sales a)(to be specified) b) c) iii) Others a) (to be specified) b) c)				

Notes: -

(1) If a product emerging from one-process forms the raw material for subsequent process or other products covered under rule 2, separate cost statement of production under this proforma (suitably modified, if necessary) shall be maintained for each process or products such as manufacture of base oils.

(2) In case a joint product is sold without further processing details in regard to quantity sold, cost of sales and average sales realization etc shall be indicated

in appropriate statement. If these are further processed, separate cost statement as per this proforma or any other form as thereof shall be prepared.

(3) The basis on which cost is apportioned to joint products shall be indicated in this proforma.

(4) The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.

(5) Delete items not applicable.

PROFORMA 'H'

Name of the company:.....

Name and address of Refinery or Plant:.....

Statement showing the Cost of Sales of (Name of the product):

I QUANTITATIVE INFORMATION

Serial Number	Particulars	Unit	Current year	Previous year
1.	Opening Stock			
2.	Gross Quantity Produced			
3.	Quantity purchased			
4.	Loss			
5.	Net availability			
6.	Used for mining operation			
7.	Captive Consumption			
8.	Quantity sold			
9.	Closing Stock			

II COST INFORMATION

Sr. No.	Particulars	Unit	Qty	Rate	Total cost Rs (Lakhs)	Cost per unit	
						Current Year (Rs)	Previous Year (Rs)
1.	Cost of captive Production						
2.	Cost of purchases						
3.	Stock Adjustment Add: Opening stock Less: Closing stock						
4.	Packing cost ,if any						
5.	Statutory Levies a)Royalties on sales b)Cess c)Excise duty d)Sales tax e)Octroi f)Port Trust charges g)Others Total						
6.	Other Expenses (to be specified)						
7.	Selling and Distribution Expenses (a) Salaries and wages (b) Freight and Transport Charges (c) Commission to selling agents (d) Advertisement expenses (e) Others Total						

8.	Total Cost of Sales						
9.	Borrowing charges						
	a) For manufacturing activity referred to in Rule 2						
	b) Others						
	c) Total						
10.	Total cost						
11.	Sales Realization						
12.	Less: Excise duty						
13.	Net sales Realisation						
14.	Margin						
15.	Add: Export Benefits and incentives, if any						
16.	Total Margin (including export benefits)						
17.	Ex-factory price (excluding sales tax etc.)						
18.	Maximum retail price (excluding sales tax etc.)						
19.	Maximum retail price, if any, prescribed by the Government/statutory regulatory body etc.						

Notes: -

1. Separate statement shall be maintained in respect of each major product.
2. Sales realization for quantity sold at price notified or fixed by Government if any and at the price fixed by company shall be indicated separately.
3. Separate proforma shall be prepared for the quantity sold with in the country and the quantity exported. Expenses incurred on export and the incentive earned thereon shall be indicated in the proforma applicable for the quantity produced and exported.
4. The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
5. Delete items not applicable.

PROFORMA 'I'

Name of the company:.....
Statement showing the allocation or apportionment of total expenses or income of the company between service or activities covered under rule 2 and other activities during the year ending.....

Serial Number	Particulars	Total expenses as per audited financial accounts.	Share applicable to activities covered under rule2		Share applicable to other activities	Basis of allocation
			Exploration	Refining		
1.	Direct Material					
2.	Process materials					
3.	Utilities (a) Power (b) Fuel (c) Steam (d) Effluent Treatment (e) Other (specify)					
4.	Salaries and wages					
5.	Consumable Stores and Spares)					
6.	Repairs and Maintenance					
7.	Depreciation or Depletion etc.					
8.	Transportation Charges					
9.	Quality Control					
10.	Cess					
11.	Royalty or Technical Know-how					
12.	Other Statutory Levies					
13.	Lease rent					
14.	Research and development					
15.	Works overhead					
16.	Administrative overhead					
17.	Other direct expenses (to be specified)					
18.	Adjustment in difference between opening and closing work in progress					
19.	Less credit for recoveries					
20.	Less self consumption, if any,					
21.	Adjustment in difference between opening and closing stock of finished goods					

22.	Total					
23.	Packing Expenses					
24.	Borrowing charges					
25.	Selling and Distribution expenses					
26.	Any other expenses not included in cost					
27.	Any other income not considered in cost					
28.	Total cost excluding Excise duty					
29.	Excise duty					
30.	Total cost including Excise duty					
31.	Total Sales realization including Excise Duty Add: Export Benefit, if any					
32.	Margin (31-30)					

Notes: -

- 1) Cost centers are illustrative only.
- 2) All items of income and expenditure in this Proforma shall be reconciled with the financial accounts for the relevant period/year.
- 3) The Proforma may be modified suitably including for method of accounting followed e.g. successful effort method or full cost method to incorporate unit specific features, if any, indicating reasons thereof.
- 4) Delete items not applicable."

[F.No.52/15/CAB-2001]

RAJIV MEHRISHI, Jt. Secy.