

THE GAZETTE OF PAKISTAN

PART II

Statutory Notifications (S.R.O)

GOVERNMENT OF PAKISTAN

CORPORATE LAW AUTHORITY

(Corporate Regulation Wing)

NOTIFICATIONS

Islamabad, the 1st November, 1990

**VEGETABLE GHEE AND COOKING OIL COMPANIES
(COST ACCOUNTING RECORDS) ORDER, 1990**

S.R.O. 1131 (1) 90, - In exercise of the powers conferred by sections 230 and 506 of the Companies Ordinance, 1984 (XIV of 1984) read with the Finance Division Notification No. S.R.O 698 (1) dated the 2nd July, 1980, the Corporate Law Authority is pleased to make the following Order, the same having been previously published as required by the said section 506, namely:-

**VEGETABLE GHEE AND COOKING OIL COMPANIES
(COST ACCOUNTING RECORDS) ORDER, 1990**

1. **Short title, extent and commencement**, (1) This Order may be called the Vegetable Ghee and Cooking Oil Companies (Cost Accounting Records Order 1990).
 - (2) It extends to the whole of Pakistan.
 - (3) It shall come into force on such date as the Corporate Law Authority may by notification in the official Gazette, appoint.
2. **Application**, - This Order shall apply to every company engaged in production, processing or manufacturing of:-
 - (a) Vegetable ghee, cooking oil, margarine bakery shortening and allied products; and
 - (b) In addition for 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.

3. **Maintenance or records,** - (1) Every company to which this Order applies shall in respect of each financial year commencing on or after the commencement of this Order, keep cost accounting records, containing inter the particulars in Schedule I and II to this Order.

(2) Where a company is manufacturing any other product in addition to those referred to in paragraph 2, the particulars relating to the utilised on of materials, labour and other items of cost insofar as they are applicable to such other product shall not be included in the cost of the products referred to in that paragraph.

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

(4) It shall be the duty of every person referred to in sub-section (7) of section 230 of the Companies Ordinance, 1984 (XLVII of 1984), to company with the providing of sub-paragraphs (1) and (3) in the same manner as they are liable to maintain financial accounts required under section 233 of the said Ordinance.

4. **Penalty,** - If a company contravenes the provisions of paragraph 3, the company and every officer there of who is in default, including the person referred to in sub-paragraph (4) of paragraph 3, shall be punishable under sub-section (7) of section 230 of the Companies Ordinance - 1984.

MUHAMMAD HAYAT JASRA
Joint Registrar (H.Q)

SCHEDULE 1
(See paragraph 3)

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 referred to in paragraph 2 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 Schedule II, 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 basic 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 Schedule II 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 referred to in paragraph 2. 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 referred to in Paragraph 2, 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 Performa 'A' of Schedule II 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 'Schedule II' 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 referred to in paragraph 2.
- (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 Schedule II.

X. Chilling

Appropriate record of cost incurred in connection with refrigeration facilities provided for chilling of items referred to in paragraph 2 shall be maintained in sufficient details as may enable the company to compile the cost data in Annexure A-6 of proforma 'A' of Schedule II.

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 data 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 provisions of clause 'F' of part II of the Fourth Schedule to the Companies Ordinance, 1984 and than 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 can 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 over heads shall include among other items, indirect labour cost alongwith its share of labour related costs such as fringe benefits, other labour and staff welfare expenses, and establishment expenses of manufacturing of items referred to in paragraph 2.

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 glycerene 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 taken into account in such computation. The cost elements shall be related to the items referred to in the proforma 'A' of Schedule II. 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, tinsplate 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 Schedule II and to enable the cost auditor to report and perform his duties under section 258 of the Companies Ordinance 1984.
- (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 II (proforma 'A' and annexures) can be compiled and the cost auditor is able to verify the statements with the records.

Schedule II

(see paragraph 3)

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

Current period : previous period

- (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 tonns	Total cost	Cost per tonns
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)

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 tonns	Total cost	Cost per tonns

8- Adjustment of work in process inventory

- (I) *Add*: Opening stock
(a) At packing stage
(b) At chilling stage

- (II) *Less*: Closing stock:
(a) At packing stage
(b) At chilling stage

9- Total variable cost of packed and chilled vegetable ghee/choking oil
(Item 7±8)

10- Fixed Overheads

11- Total cost of goods manufactured
(Item 9±10)

12- Adjustment of finished goods inventories.
(i) *Add*: Opening stock
(ii) *Less*: Closing stock

13- Net ex-works cost of sales.
(Item 11±12)

III. Sales.

- (i) Gross sales
(ii) Less commission and discount
(iii) Sales [(item (i) and (ii)]
(iv) Less: Excise duty
(v) Net sales

Annexure A-1

Name and address of the Company

**STATEMENT SHOWING THE RAW EDIBLE OILS CONSUMED
DURING THE PERIOD FROM: _____ TO _____**

CURRENT PERIOD

PREVIOUS PERIOD

PARTICULARS	Oil blend %	Qty. tonne	Rate	Total cost	Oil blend %	Qty. tonne	Rate	Total cost
1- Oil in Put								
Imported								
(a) Palm oil								
(b) Soyabean oil								
(c) Others (specify)								
Local								
(a) Cottonseed oil								
(b) Rapeseed oil								
(c) Sunflower oil								
(d) Others (specify)								
				Total: <u>100%</u>				<u>100%</u>
2- Adjustment of oil in process inventories								
(i) Add: Opening stock								
(ii) Less: closing stock								
3- Total oil consumed (Item 1±2)								
4- Yield (Net production)								
5- Process Loss: (Item 3-4)								
(a) By-products:-								
Visible loss (actual quantity at realisable value credited to cost of oil).								
(b) Invisible loss (quantity only)Sub-total of process loss.								
6- Net cost of oil charged to production value at item 4 less 5(a).								

Annexure A-2

Name and address of the Company

**STATEMENT SHOWING THE COST OF CHEMICAL CONSUMED
DURING THE PERIOD FROM: _____ TO _____**

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 ³ of steam	Total cost	Cost per M ³ 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
(i) Sales to outsiders				
(ii) charged to production				
(iii) charged to general uses				
(iv) Any other department (specify)				
Total sales/allocation				

Annexure A-6

Name and address of the Company

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

I- Capacity:

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

II- Cost:

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

Proforma "B"

Name and address of the Company

**STATEMENT SHOWING INVENTORIES OF FINISHED GOODS, RAW & PACKING
MATERIALS AND OTHER ITEMS FOR THE PERIOD FROM: _____ TO _____**

Particular	Opening stock (Qty.)	Received during the period (Qty.)	Issued during the period (Qty.)	Physical stock adjustments if any (Qty.)	Closing stock (Qty.)
1	2	3	4	5	6
1- Finished goods (M. tons)					
(a) Vegetable ghee:					
16 Kg. Pack					
5 Kg. Pack					
2.5 Kg. Pack					
(b) Cooking Oil:					
17 litre pack					
5 litre pack					
2.5 litre pack					
(c) Margarine					
(d) Bakery shortening					
(e) Others (specify)					
Total:					
2- Empty finished tins (Numbers)					
16 Kg. 17 Litre					
5 Kg./5 Litre					
2.5 Kg./2.5 litre					
Total:					
3- By-products (sepcify)					

1

2

3

4

5

6

4- Raw edible Oil (tonnes)

Imported:

- i- Palm Oil
- ii- Soybean Oil
- iii- Others (sepcify)

Local:

- i- Cottonseed Oil
- ii- Rapeseed Oil
- iii- Sunflower Oil
- iv- Others (specify)

Total:

5- Chemical (KG):

- i- Bleaching earch
- ii- Activated carbon
- iii- Caustic soda
- iv- Nickle catalyst
- v- Citric acid
- vi- Phospheric acid
- vii- Anti oxidant
- viii- Common salt
- ix- Filter acids
- x- Ghee flavour
- xi- Vitamins A and D
- xii- Others (specify)

Total:

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 stores (specify)

Total:
