

বাংলাদেশ



গেজেট

অতিরিক্ত সংখ্যা

কর্তৃপক্ষ কর্তৃক প্রকাশিত

মঙ্গলবার, এপ্রিল ১৭, ২০০১

GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH

Ministry of Commerce

Internal Trade: Section-2

Notification

তারিখ, ২৯শে মার্চ, ২০০১ইং/১৫ই চৈত্র, ১৪০৭

S.R.O No. ৭৩-আইন/২০০১—In exercise of the powers conferred by rule 13 of Cost Audit (Report) Rules, 1997, the Government is pleased to publish the following English version of the same, namely—

1. **Short title.**—These rules may be called the “Cost Audit (Report) Rules, 1997”.
2. **Definitions.**—(1) Unless there is anything repugnant to the subject or context, in these rules—
 - (a) “Act” means the Companies Act, 1994 (Act No. XVIII of 1994);
 - (b) “Employee” means all the employees including the officers;
 - (c) “Cost Auditor” means “Cost and Management Accountant” as defined in the Cost and Management Accountants Ordinance, 1977 (Ordinance No. LIII of 1977), herein after called the “said Ordinance” and any Cost Audit firm also included in it;
 - (d) “Company” means a company engaged in production, distribution, marketing, transportation, processing, manufacturing, milling or extraction and mining activities;
 - (e) “Section” means any section of the “Companies Act, 1994 (Act No. XVIII of 1994)”.

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(2) All other words used in these rules but not defined shall have the same meaning as assigned to them in the "Companies Act, 1994 (Act No. XVIII of 1994)".

3. Maintenance of books of accounts on certain matters.—(1) Companies engaged in production, distribution, marketing, transportation, processing, manufacturing, milling, extraction and mining activities shall maintain cost accounting books with such particulars relating to utilization of materials, labour and other items of overhead costs.

4. Audit of account by cost auditor.—Each company shall have its cost accounting books audited every year by a cost auditor and such audit shall be in addition to audit of accounts under section 210.

5. Appointment of cost auditor.—(1) The board of directors of a Company ordered to have its books of accounts audited as such by the Government under section 220 (1), shall appoint a cost auditor fixing his remuneration within a period of 30 days from the end of its each financial year:

Provided that, a person cannot be appointed or re-appointed as cost auditor without his or her written consent.

(2) The person appointed as cost auditor of a Company under sub-rule (1) shall intimate the matter to the Government within a period of 15 days.

6. Qualifications and disqualifications of a cost auditor.—(1) A person cannot be appointed as a cost auditor unless he is a cost and management accountant as defined in the said Ordinance :

Provided that a cost and management accountant cannot be appointed as a cost auditor unless he deserves a certificate of practice issued by the Institute of Cost and Management Accountants of Bangladesh established under the said Ordinance :

Provided further that a firm whereof all the partners practising in Bangladesh are qualified for appointment as aforesaid may be appointed by its firm name to be cost auditor of a company in which case any of the partners may act in the name of the firm.

(2) None of the following persons shall be qualified for appointment as cost auditor of a company, namely—

- (a) an employee of company under audit;
- (b) a person who is a partner or served under an employee of the company under audit;
- (c) a person who is indebted to the company for an amount exceeding one thousand taka, or who has given any guarantee or provided any security in connection with the indebtedness of any third person to the company for an amount exceeding one thousand taka;

- (d) a person who is a director or member of a private company, or partner of a firm, which is the managing agent of the company;
- (e) a person who is a director, or the holder of shares exceeding five percent in nominal value of the subscribed capital, of any body corporate which is the managing agent of the company;

Provided that where any shares held by a person as nominee or trustee for any third person and in which the holder has no beneficial interest, such shares shall be excluded in computing the extent of the subscribed capital for the purpose of this clause.

- (f) Appointed as an auditor of the company according to section 210.

Explanation:—For carrying out the purpose of this sub-rule the word “employee” shall not include as a cost auditor.

(3) A person shall not be qualified for appointment as a cost auditor of a company, if—

- (a) he, according to sub-rule (2), is disqualified for appointment as cost auditor of any other body corporate which is subsidiary of that company or holding company or a subsidiary of that company's holding company;
- (b) he would be disqualified for such appointment, had the said body corporate been a company.

(4) If a cost auditor becomes subject, after his appointment to any of the disqualifications specified in sub-rules (2) and (3), he shall be deemed to have vacated his office as such.

7. Supplying cost accounting records, etc.—The company ordered to have its accounts audited under section 220 shall make available to the cost auditor within 75 days from the end of the financial year of the company cost accounting records maintained under section 181(1)(d) and such other cost statements books and papers as may be prescribed by the concerned cost audit order that would be required for conducting the cost audit, and shall render necessary assistance to the cost auditor so as to enable him to conduct and complete the cost audit smoothly.

8. Submission of report.—(1) Every cost auditor shall prepare cost audit report (in duplicate) of the company under audit and in accordance with the procedures as laid-down in the Schedule of these rules and submit within a maximum period of 150 days from the end of the financial year, a report on the performance of its functions for that very year.

(2) The cost auditor shall submit the report prepared by him to the board of directors of the company and a copy of the same shall be sent to the Government.

(3) Cost auditor shall give clarification, if any, required by Government, on the cost audit report submitted by him within the time, the Government thinks fit.

9. Presentation of cost audit report.—(1) The chief executive of the company shall present the cost audit report to the board of directors within 30 days from the date of submission of the same by the cost auditor.

(2) The cost audit report shall not ordinarily be open for inspection by the members or shall not be submitted to the annual general meeting of the company.

Provided that if the Government considers it necessary for the interest of the general members, may issue written order recording the reasons for the same to present the whole or part of the report in the next annual general meeting of the company; and in such case the subject shall be presented in the annual general meeting as directed by the Government.

10. Additional matters.—The Government may, by general or special order, direct that in the case of such class or description of companies as may be specified in the order, the cost auditor's report shall also include a statement on such matters as may be specified therein.

11. Authentication of cost accounting statements, etc.—The cost accounting statements, if any, shall be signed jointly by the chief executive of the company and chief of accounts department (by whatever name called) and if any one or both of them for the time being are outside Bangladesh, the person or persons in charge of them shall sign the documents.

12. Penalties for contravention of rules.—If any cost auditor or any officer of a concerned company contravenes the provisions of these rules, he/she or they, as the case may be, shall be punished with fine which may extend to one thousand taka.

13. Publication of Authentic English Text.—After commencement of these Rules, the Government shall, by notification in the official gazette, publish a Text of translation in English of these Rules which shall be called as Authentic English Text :

Provided that in the event of conflict between the Rules and the English Text, the Rules shall prevail.

SCHEDULE

[see Rule 8(1)]

Cost Audit Report

I/We being appointed under section 220(1) of the Companies Act, 1994 (Act No. XVIII of 1994) as auditor (hereinafter called "Cost Auditor") of.....Ltd. (hereinafter called the "Company") have examined the cost accounting books and other relevant papers maintained by the Company for the year ended on..... and subject to comments on enclosed annexure do hereby report that—

- (a) I/We have/have not obtained all the information and explanation which to the best of my/our knowledge and belief were necessary for completion of this audit;
- (b) section 181(1)(d) of the Companies Act, 1994 and prescribed cost accounting records have/have not been kept by the company;
- (c) adequate information on returns, statement, etc. for the purpose of my/our cost audit have/have not been received from the branches not visited by me/us;
- (d) information as prescribed by relevant rules are/are not available from the cost accounting records maintained by the company and exhibit/do not exhibit a true and fair view of the cost of production/distribution/marketing/transportation/processing/manufacturing/milling/mining or extraction of minerals of the Company; and
- (e) the enclosed statement of production and statement of inventories are/are not in agreement with the books of accounts of the company.

Name and signature of the person or firm
Cost Auditor

Place.....

Dated.....

N.B. Annexures enclosed are integral part of this report.

Note : Delete the word(s) not applicable.

Annexure to The Cost Audit Report

1. General :

- (1) Name of the Company and address of the registered office.
- (2) Date of registration of the Company.
- (3) Status of the Company (Private/Public).
- (4) A brief description of function of the Company.
- (5) Address of the Factory :
(if the company has more than one factory, address of each factory are to be given).
- (6) Date of commencement of commercial production of the factory.
- (7) Location where accounts are maintained.
- (8) If there is any foreign technical collaboration, a copy of the collaboration agreement shall be attached. If not possible, a brief note indicating the following information is to be furnished—
 - (a) Name and address of the foreign collaborator;
 - (b) Principal terms of agreement;
 - (c) Amount of royalty/technical fee payable and the basis of calculating the same;
 - (d) Whether technical collaborator has contributed to the share capital of the company. If so, the paid up value of shares so held.
 - (e) If the company is engaged in other activities besides the manufacture of the product under audit, a brief note on the nature of such activities.

2. Cost Accounting System :

A brief description of the cost accounting system existing in the company and whether these are consistent with reference to generally accepted accounting principles and particularly with special reference to the concerned cost accounting record order. Whether the system being followed is adequate to determine correctly the cost of production. The description of the system shall cover, inter alia, the procedure for accounting of materials, labour, depreciation, overhead expenses and their allocation and absorption to products; treatments of by-products, joint products, scraps, etc. Persistent deficiencies, if any, existing in the company (though pointed out earlier but not rectified) are required to be specified.

3. Financial Position :

Information as mentioned below are required to be shown for the year under audit including the immediate previous year :

- (1) Capital employed;
- (2) Net assets;
- (3) Current assets;
- (4) Total assets;
- (5) Intangible assets;
- (6) Current liabilities;
- (7) Long-term liabilities;
- (8) Profit before taxes and interests:
 - (a) For the company as a whole;
 - (b) For the product under reference;
- (9) The following other income are to be specified:
 - (a) Interest received on investments outside the business;
 - (b) Capital gains; and
 - (c) Any other income of abnormal, casual or non-recurring in nature.
- (10) Net sales:
 - (a) For the company as a whole;
 - (b) For the product under reference.
- (11) The following Ratios are to be shown :
 - (a) Liquidity Ratios:
 - (1) Current ratio;
 - (2) Acid test ratio;
 - (b) Activity Ratios:
 - (3) Receivables turn-over ratio;
 - (4) Payables turn-over ratio;
 - (5) Inventories turn-over ratio.

Note : In calculating above ratios, the average of beginning and ending balances of receivables, payables, and inventories are to be taken.

(c) Profitability Ratios:

- (6) The ratio of income before interests and taxes on net sales;
- (7) The ratio of income before taxes on net sales;
- (8) The ratio of income after taxes on net sales;
- (9) The ratio of income before interests and taxes on capital employed;
- (10) The ratio of income before taxes on net assets;
- (11) The ratio of income after tax per share;
- (12) The ratio of dividend distributions;
- (13) The ratio of market price to earnings;

(d) Solvency Ratios:

- (14) The ratio of total assets and long-term loans;
- (15) The ratio of loans and capital;
- (16) Times interest earned;
- (17) Book value per share.

Note : At the end of this paragraph, a brief note about the financial position, specially with reference to financial liquidity, financial activity, profitability, debt repayment ability and financial solvency of the company are required to be given.

4. Production :

The following information is to be given for each type of product under reference and for each factory, namely:

- (1) Licensed capacity;
- (2) Installed capacity;
- (3) Utilized capacity and actual production;
- (4) The ratio of capacity utilization with installed capacity. A brief note is required to be given explaining the reasons as such if the actual capacity utilization is less than the installed capacity.
- (5) If the installed capacity increases/decreases take place during the year under audit or within immediate two years prior to the year under audit, the matter shall be specified.

5. Process of manufacture :

A brief note regarding the process of manufacture shall be given specifying the subjects mentioned below :

- (1) Installed factory layout;
- (2) The process of materials operations—from raw materials to transfer of finished goods to the store room.
- (3) The location of machinery :
 - (a) Reasonability of established cost centres;
 - (b) Materials usage and determination of input-output ratio; and
 - (c) Location of machinery in ascertaining adequacy of principles of maintenance.

6. Materials (Raw materials) :

- (1) Cost of principal materials (raw materials) consumed are to be shown both in terms of quantity and value. If the cost of transport is significant, cost of the same shall also be shown. In the case of principal imported raw materials, f.o.b. value, ocean freight, insurance, customs and other duties, internal transport and other related expenses are required to be shown. In case where both indigenous and imported materials are consumed, the percentage mix of the same may be indicated for each item.
- (2) A comparison of actual usage of raw materials in relation to output with standard usage of materials during the year under audit and of the immediate previous year are to be shown. A short explanation shall be given on this subject.
- (3) Indicate the quantity and value of direct raw materials which have not been used in production and remains unused and obsolete for a period of one year or more. Indicate the proportion of such unused and obsolete materials at the end of year with a comparison of total ending inventories.
- (4) Comments on the method of accounting followed for recording the quantities and values of receipts, issues and balances of all materials directly used in production shall be given.

7. Power and Fuel :

Quantity, rate per unit and total cost for each major form of power and fuel i.e. coal, furnace oil, electricity, etc. used in production are to be shown separately. The actual physical consumption per unit of production shall be compared with standard or theoretical norms, if any, and with preceding year's actual consumption.

8. Wages and Salaries :

- (1) Total wages and salaries paid for all categories of employees, during the year under audit and the immediate previous year are required to be shown separately in respect of each of the following :—
 - (a) Direct labour costs on production;
 - (b) Indirect employee costs on production;

- (c) Employee costs on administration;
 - (d) Employee costs on selling and distribution;
 - (e) Other employee costs, if any (specifying purpose);
 - (f) Total employee costs (total of items (a) to (e) above).
- (2) Salaries and allowances paid to the chief executive and directors of the company are to be shown (details of heads of expenses are to be shown).
 - (3) Total man days of direct labour available and actually worked for the year under audit.
 - (4) Average number of workers employed during the year under audit.
 - (5) Direct labour cost per unit of output of the product under reference (if more than one type of product, information in respect of each product shall be given).
 - (6) The variations in sub-para (5) above, and the previous two year's direct labour costs, if any, a brief explanation shall be given.
 - (7) Comments shall be given on the incentive scheme of the workers/employees, if any, with particular reference to its contributions towards increasing productivity and its effect on cost of production.

9. Stores and Spare parts :

- (1) Comments shall be given on the stores accounting system existing in the company.
- (2) Expenditure on account of stores, etc. per unit of output.
- (3) Indicate the quantity and value of stores and spares that have not been used in production for a period of two years or more and remains unused and obsolete. Also indicate proportion of such unused and obsolete stores and spares in the total ending inventories of stores and spare parts.

10. Depreciation :

- (1) A description of the method of depreciation being followed in the company shall be given.
- (2) A description of the basis of allocation of depreciation expense to different departments shall be given.
- (3) A description of the basis of allocation of depreciation expenses to production shall be given.

11. Overhead Expenses :

- (1) A comparative statement of allocation of overheads of the Company/Factory during the year under audit and immediate previous year on the following heads shall be shown :
 - (a) Factory overhead;
 - (b) Administrative overhead;
 - (c) Selling and distribution overhead;
 - (d) Interest expense on loan (including debenture).
- (2) Reasons for any significant variations in the expenditure incurred against any items included in the overheads shall be indicated.
- (3) Comments on the basis of allocation of overhead cost centres and of absorption to products adopted by the company shall be given.

12. Royalty/technical aid payments :

The total amount of royalty/technical aid fees payable for the year under audit and the amount of expenditure per unit of production on this item of expense shall be given.

13. Abnormal and non-recurring expenses :

If there were any abnormal features affecting production during the year under audit (e.g. strike, lock-outs, major break-down in the plant, substantial power deficiency, serious accidents, etc.) they shall be, wherever practicable, briefly mentioned indicating their effect on the cost of production.

14. Research and Development expenses.**15. Human Resources Development expenses.****16. Other items :**

If there are any special expenses which have been directly allocated to products under reference, the total amount of such expense and incidence on product of such expense shall also be shown.

17. Production cost :

The cost per unit of different categories of products under reference with comparative figures for the immediate previous year shall be given. Comments shall be given on significant difference.

18. Sales :

- (1) 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 shall be given.

- (2) If the product under reference is exported, quantity exported, net realization per unit, countries to which exported indicating the profit or loss incurred in export shall be given.

19. Auditor's observations and conclusions :

The cost auditor may make necessary comments on the following points, namely—

- (1) Equitability of allocation of overheads and common costs;
- (2) Quantification of idle machines and materials ;
- (3) Methods of identification of waste materials and their analysis, quantification and disposal (including re-cycling or re-use);
- (4) Usefulness of accounts maintained to record wastes, spoiled materials, wastages, etc;
- (5) Matters apparently wrong in principle or unjustifiable;
- (6) Negligence or inefficiency in using of company's funds;
- (7) Matters that could have been controlled, but have not been done resulting increase of the production cost;
- (8) Contracts or agreements, if any, between the company and others relating to sales, purchases, etc. bringing out any peculiar features, under benefits;
- (9) Adequacy of the following systems :
 - (a) Budgetary Control;
 - (b) Credit Control;
 - (c) Internal Cheeking;
 - (d) Internal Audit;
 - (e) Production Development; and
- (10) Recommendations for improvements in performance, if any, by the following—
 - (a) reshuffling of machineries, etc;
 - (b) best utilization of installed capacity of the machineries;
 - (c) concentration on areas offering scope for cost reduction, increased productivity, decrease of anti-production activities, etc.

By order of the President

M.M. Mahboob
Deputy Secretary.