

**Manual of Cost Accounting in the Ordnance
And Ordnance Equipment Factories**

SECTION -I

GENERAL

Objects

1. The objects of the Cost Accounting system are-
 - (i) to exercise control over expenditure incurred in Factory for production and
 - (ii) to ascertain the cost of manufacture of each article produced in the Factory.

Analysis of Expenditure and Elements of Costs

2. The expenditure incurred in manufacture is classified under three main categories viz. (a) Wages paid to Industrial Workers (b) Materials and (c) Other Expenses. In relation to product cost, the expenditure falling under the above three categories is further classified as direct and indirect expenditure. For the purpose of costing, wages are analyzed into direct labour costs and indirect labour costs, materials into direct material costs and indirect material costs. Other expenses, the bulk of which represents salaries paid to supervisory and administrative personnel, generally fall under the category of indirect expenditure. Indirect labour Indirect material and other indirect expenses, together constitute the overhead expenditure, While the direct labour expenditure and direct material expenditure incurred in the manufacture of each product can be measured accurately and charged direct to each job, overhead expenditure representing the cost of providing various production and administrative services incidental to production cannot be charged directly to each job. Such expenditure being common to all production activity, it is apportioned to the cost of each job as equitably as possible, following certain well recognized cost accounting principles.

By means of the above type of analysis, the cost of each article manufactured in the Factory is compiled under the three elements of cost viz. (i) direct labour (ii) direct material and (iii) overheads.

Organization of the Factory

3. Each Factory is divided into a number of departments (Sections) representing:

- (i) Production Departments (Sections or Shops)
- (ii) Service Departments and
- (iii) Administrative Departments.

Each production section is engaged in producing one or more similar products requiring the use of similar production facilities (machines etc.). The service departments are those connected with the generation and distribution of electric power, steam and Water services and maintenance of plant machinery and buildings. The administrative departments are those connected with the general administration of the factory, planning labour bureau and labour welfare etc.

Planning for the Manufacture Programme

4. The three services (Army, Navy and Air Force) place their demand on DGOF (OFB) for supply of various factory manufactured stores. Based on these demands OFB plans production programme for concerned Factories and issues extracts (production order) on each Factory simultaneously intimating the feeder Factories supplying castings, forgings, bars, streets, components etc. Based on the extracts received from OFB, each Factory manufacturing the main product plans its production programme and initiates provisioning action for procurement of materials either from trade or from sister Factories The consignor Factory also places IFD on feeder Factories for supply of components, castings, forgings etc. These IFDs constitute authority for the feeder Factories to make provisions of material for planning production of components.

Thus the manufacturing programme in each Factory is determined by (a) the extracts placed by the DGOF on the Factory and (b) Inter Factory Demands from other Factories.

The Planning Department of the Factory releases Warrants (Production Orders) in batches to the Shop (Sections) to undertake the manufacture according to yearly production plan. The labour authorisation is made through Manufacturing Warrant and the material authorisation is made through Material Warrant.

Pre-determined control over utilization of material and labour

5. The most important feature of the cost accounting system is control over utilisation of labour and material expenditure on each job through pre-determined estimates. For repeat items, production of which is well

established, the estimates are standardised by proper time and motion study and these estimates are called Standard Estimates. The Standard Estimate is prepared for a batch of production (e. g. 100 Nos., 1000 kgs. etc.) showing therein the details of various labour operations required for the production of the article and the time required for each operation. Similarly, each material required for production of the article is shown in detail indicating the quantity required for the batch of production. The Standard Estimates also contain provision for normal (unavoidable) rejection inherent in the process of manufacture. For these purpose two rejection percentages called "maximum" and "minimum" are provided for in the Standard Estimates. Any rejection beyond maximum rejection percentage is treated as abnormal (avoidable) requiring regularisation as loss.

"Spot Estimates are also prepared for non-repetitive/casual items of production".

"Any amendment in labour portion of the Estimate (known as 'Rate Form') and or material portion of the Estimate necessitated due to technical reasons are carried out through revision of Estimates".

When a Manufacture Warrant is issued by the Planning Department to a Production Section, the Warrant shows the quantity required to be produced and the labour hour authorised therefor as per the Estimate. Simultaneously a Material Warrant is also issued showing the quantities of various materials that can be drawn only upto the quantity which is required for completing the exact quantity of finished items for which the Warrant is issued. If any rejection occurs during the production process, the required quantity of material to replenish such rejected quantity can be drawn on the basis of a certificate obtained from Quality Control Section. The Production Shops cannot exceed the limits indicated in the Manufacture and Material Warrants for utilization of labour and material without obtaining special authorisation from the Planning Department. Such authorizations are issued in the shape of Non-Recurring Revisions.

Use of Numerical Code Numbers

6. For convenience in the preparation of various accounting documents and to facilitate mechanical accounting on Electronic Data Processing Machines a system of numerical codes is adopted in the cost accounting system, as explained below.

(i) Numbering of Ledger Folio for Stores

Each material held on stock charge is indicated by a code number consisting of 10 digits code. On all the accounting documents for materials these code numbers are quoted.

(ii) Numbering of Work Orders

Each item of outturn work done in the Factory is given a distinctive Work Order number consisting of 9 digits. The code is divided into 3 parts. The first two digits are used to indicate classification of work by indentors. Thus, if work is being performed for the Army Code, 90 is used in the first two digits. If the work is for another Factory, Code 70 is used. The next 5 digits stand for the description of the item. The last two digits are used to indicate sub-numbers. These outturn Work Orders are allotted by each Factory separately and compiled in a book called "Syllabus of Work Order Part II".

The Work Orders (01 and 02 series) relating to Indirect Expenditure also consists of 9 digits. These Work Orders which are common to all Factories have been shown in the Syllabus of Work Orders appended to this book. The first two digits denote the work order serial viz. '01' for 'Fixed' and '02' for 'Variable' overhead. The next five digits denote the main Work Order '0' in the third digit of the main work order denotes 'debit' and '1' for 'credit'. The first digit of the main number which is '0'(zero) may be employed in consultation with PR Section, PCA (Fys), Main Office, Kolkata for conveying any meaningful information for control purpose. The last two digits of the Work Orders will be used to indicate the section for which the expenditure is incurred.

The Work Orders relating to other item of work / series, which are also common to all Factories consist of 9 digits and have been compiled in the book called "Syllabus of Work Order Part I". e. g.

| | | | |
|-------------------------------------|---|----|-----------------------|
| Process Materials | - | 03 | Series of Work Orders |
| Capital Services | - | 04 | -Do- |
| Repair & Conversion | - | 05 | -Do- |
| Misc. Series (Cost of Packing etc.) | - | 06 | -Do- |
| Conversion of Timber | - | 08 | -Do- |

Section II- Accounting for Labour Charges

Classification of Labour Charges

7. Wages paid to Industrial Establishment only are treated as labour charges. Labour charges which are incurred for converting raw materials into finished products and which can be measured conveniently and accurately are classified as direct labour charges. The rest are treated as indirect labour charges and included as part of the overhead charges.

Recording Daily Attendance of Industrial Workers

8. Each worker is allotted a ticket number. Metal discs showing the ticket numbers are hung on ticket boards placed near the factory gate or shop concerned. The gate is opened half an hour before the time fixed for commencement of work and is closed punctually at fixed time. During this interval, workers get in, remove their tickets from the boards under the supervision of the Gate Office and deposit them on the ticket boards placed in their respective Shops. Soon after the Factory gate is closed, the Gate Office prepares, for each Shop, a list for the purpose of mustering, showing the ticket numbers not removed from the ticket boards. Late comers are admitted up to one hour, at intervals of 15 minutes. The tickets collected by the late comers from the Gate Office are deposited in separate boxes at the gate, specially provided for the purpose, to record their particular hour, a late comer is admitted. When a worker is granted short leave, a leave pass is issued. When workers are employed on overtime, Overtime Memos signed by authorised officers are issued. The daily attendance of each worker is marked by the Gate Office with reference to the tickets not removed, tickets deposited in the late attendance boxes, Short Leave Passes, Overtime Memos and Leave Orders notifying grant of leave with or without pay.

Soon after commencement of the work, the Sections examine the tickets deposited by the workers on the section boards and also take attendance by personal counting. Thereafter, a Presentee or casualty report, whichever is convenient signed by the JWM/Foreman of the Section, is sent to the Account Office direct.

The daily attendance marked by the Gate Office is checked by the Accounts Office with reference to this Presentee or Casualty Report, and other leave etc. Memos referred to above, copies of which are endorsed to the Accounts Office.

Where Electronic Attendance Recording System (EARS) has been implemented for recording attendance, deduction for late will be made for each minute of late instead of 15 minutes slab.

Methods of Remuneration of Industrial Workers

9. Each Industrial Employee is appointed on a monthly rate of pay in a progressive scale. The scales vary based on trades and grades. Workers are however paid under two methods viz.

- (i) Payment on the basis of attendance (called Day Work)
- (ii) Payment by piece work rates (Piece Work)

For all recurring items of production, appropriate Piece Work Rates are fixed by the Factory Management and a worker is paid for the number of articles completed by him and certified by the Inspecting Authority as accepted at the rate fixed for the article, without reference to the time taken by him for the quantity completed. According to the above methods of payment, workers are generally referred to as Day Workers and Piece Workers.

Day Workers

(i) For Day Workers the basic wages are calculated for each month on the basis of actual attendance for the month according to the following formula.

$$\frac{P}{N - (S + H)} \times \text{X (Number of days present)}$$

P represents the monthly rate of pay of the worker.

N the number of days in a calendar month.

S represents the number of Sundays in the month and

H the number of paid holidays, if any, during the month.

No separate payment becomes due in respect of paid holidays because the monthly rate is reduced to the daily rate in the above formula taking the number of working days only into account. Deductions for absence for part of a day are made at 1/8 th of a day's pay for each hour of absence. The minimum unit of time for which deductions are made is 15 minutes or 1/4 hour.

Piece Workers

(ii) In the case of Piece Workers the amount earned by each Piece Worker on the various items of work completed by him during the month at the rates fixed by the Management is paid to him.

Individual Piece Worker and Gang Piece Worker

(iii) Piece workers are divided into two categories viz., Individual Piece Workers and (ii) Gang (group) Piece Workers. A number of Piece Workers is formed into a Piece Work Gang and is employed collectively on various repeat items of production. The collective piece work out put hours of each gang are calculated for the month with reference to the number of articles completed by the gang and the piece work hours applicable to each item of production. From 1.4.2000, the Piece Work Rate has been fixed in terms of "Time" (Out Put Hours). Piece Work Profit Percentage is worked out on the basis of out-put and in put hours and using the formula:

$$\text{Profit percentage} = (\text{Output hours} / \text{Input hours} - 1) \times 100$$

PW earnings of the gang is calculated on the basis of Notional Time Wages. The total output hours of a gang are thereafter distributed among its members in proportion to their input hours. Notional Time Wages(NTW) is calculated at the rate of $(1/N-S) \times \text{No. of days present}$ where '1' stand for Minimum of Pay Scale of each Worker. Thus each member of the gang will get share of Piece Work Profit by adopting the following formula :

$$\text{Piece Work Profit} = \text{NTW of the Industrial Employee} \times \text{PW Profit \%} / 100.$$

Note : The difference between the actual Basic Pay of the Piece Worker and the minimum of his scale of pay i.e. incremental difference is to be paid as a separate element will be booked to direct labour charges. This additional payment to the Piece Worker to be booked to the relevant Piece Work Card by means of percentage levy based on Piece Work Earning of the gang.

(iv) Pay in respect of each paid holiday, is separately calculated and paid to Piece Workers according to the formula $P/N-S$ for each paid holiday where

- P - represents the monthly rate of pay of the worker.
- N - the number of days in the calendar month and
- S - the number of Sundays in that month

Incentive Bonus to Essential Maintenance Worker

(v) An incentive bonus is paid to essential skilled and semi-skilled maintenance workers employed in the maintenance of plant and services within the Factory, The bonus which is linked with the profit percentage earned by the piece workers and paid at the following rates.

(a) For essential maintenance workers attached to a production section at 50% of the Piece Work Profit Percentage earned in the month by all the Piece Worker, both individual and gang workers of the Production Section.

(b) For essential maintenance workers not attached to any Production Section at 50% of the average piece work profit percentage earned in the month by all the Piece Workers both individual and gang piece workers in the whole Factory.

The percentages as calculated above are applied to the time wages of the essential maintenance workers to arrive at the amount of bonus admissible.

Normal Working and Overtime

(vi) The daily normal hours of work for Industrial Employees are 8 hours from Monday to Friday and $4\frac{3}{4}$ hours on Saturday thus making $44\frac{3}{4}$ hours a Week. For working $4\frac{3}{4}$ hours on a Saturday, a Day worker receives full pay as for a working day of 8 hours. Payment for $3\frac{1}{4}$ hours on Saturday for work not done is termed Saturday Bonus. Sunday is the weekly holiday for which no separate payment is admissible.

Overtime

(vii) Industrial Employees are entitled to additional pay for work beyond the normal working hours.

For work beyond normal working hours and upto 9 hours a day or beyond $44\frac{3}{4}$ hours up to 48 hours in a week, overtime is paid under Departmental Rules.

In the case of day workers the overtime is paid on the basis of Basic pay + Dearness Allowances + City Compensatory Allowance + Personal Pay + Pension to the extent as applicable taken into account for fixation of pay divided by 200 Hours for each hour of overtime worked under Departmental Rules. The hourly rate is the same for work in Night Shift.

Piece Workers

In the case of Piece Workers no separate payment for Over Time under Departmental Rule worked in day shift is made. They are entitled to Piece Work Earnings only.

For work in Night Shift, an extra half hour pay is admitted for each hour of overtime worked under Departmental Rules, the hourly rate is the same as for Day Workers.

Overtime Payments under Factories Act

For work beyond 9 hours a day or 48 hours in week, payment is admissible at twice the rate of pay plus all allowances.

The extra payment over and above the ordinary rate is called bonus. For Piece Workers, basic pay is taken as Pay + 25% of pay (incentive element). Thus the extra payment in addition to Piece Work earnings is

$$\frac{(\text{Pay} + \frac{1}{4} \text{ Pay} + \text{Twice Allowances})}{200} \text{ Per hour}$$

N.B: Allowances mean - Dearness Allowance, Additional Dearness Allowance, City Compensatory Allowance, House Rent Allowance.

Allocation in Cost Accounts

| Day Workers | | Departmental overtime | |
|--------------------|-------|-----------------------|--|
| (i) | Pay | To the Work order | D A + C. C. A |
| | ----- | on which employed | ----- |
| | 200 | | 200 |
| | | | Over Time Bonus i.e. Work Order 02/00004/00 |

Piece Workers

| | | | |
|-----------|-------|-------------------|--------------------------------------|
| Day Shift | Pay | To the | |
| | ----- | Work Order | (Merged with Piece Work earnings) |
| | 200 | on which employed | |
| | | No extra Payment | |

Night Shift

| | | | |
|---------|---------------------------|---|--|
| | Pay | | Merged with earnings |
| Half of | ----- 200 | | |
| Half of | DA +CCA - ----- 200 | - | OT Bonus i. e. work order 02/00004/00 |

for each hour of Over Time worked in Night shift.

Factories Act

| | | | |
|---------------|-----------------------------|---|---|
| Day workers | P ---- 200 | | to work order concerned |
| | P + 2d ----- 200 | | to OT Bonus work order i. e. work order 02/00004/00 |
| Piece Workers | P ---- 200 | - | To work order on which employed merged with Piece Work Earnings |
| | P + 1/4 P+ 2d ----- 2 | - | To OT Bonus Work order 02/00004/00 |

Note: OT payment of both Day shift and Night shift on the difference between the actual basic pay and minimum of pay scale will be paid separately to the piece worker for the period of over time worked under Factories Act.

Piece Work Rate

11. For fixing a piece work rate, the labour operations involved in producing an article are analysed in detail. The basic time required for performing each operation is measured by time study. To this basic time of operation, an allowance is added for rest intervals, minor break-downs in machinery, tool sharpening or grinding, etc. to arrive at the operational time. To provide an incentive to the piece workers the above time for the operation is increased by a further 25% and this becomes the total time for the operation. Appropriate to the skill required to perform each operation,

the grade of the worker is determined. The time so arrived at will be taken as the estimated out-put time and is treated as Piece Work rate for the article and will be shown in the Warrant.

For non-recurring jobs for which quantities on order are small and repeat orders are not anticipated, the piece work rates are fixed on the basis of estimates of time required (or producing the articles and not on the basis of time study. But, for repeat items of production, if a piece work rate is fixed initially on the basis estimated time, it will be regarded as provisional and should be finalized on the basis of time study within 3 months of fixing the provisional rate.

Payment for Idle Time

12. Industrial workers are paid for the time they have actually worked. Payments for idle time due to the following causes is however admissible to workmen at the ordinary time rate of pay.

- i) High atmospheric humidity hindering certain operations in Explosive Factories or unfavorable weather conditions hindering operations in specialised optical works depending on sun light.
- ii) Failure of power supply.
- iii) Breakdown of plant and machinery.
- iv) Temporary shortage of materials.
- v) Temporary shortage of work in highly specialised sections.

Idle Time payments are charged to indirect work orders and treated as part of the overhead expenses.

Allocation of allowances paid to Industrial Employees (IEs)

13. Besides Pay, Dearness Allowance, House Rent and City Compensatory Allowances are also admissible to IEs as sanctioned by Government from time to time. These allowances are treated as part of the basic labour costs and allocated to jobs on the basis of a predetermined percentage, calculated, at the beginning of each year in the following manner.

- i) The actual amounts paid as basic wages and as allowances during the preceding year are separately ascertained from the Accounts records in respect of each Section of the Factory.

- ii) The above figures for basic wages are modified taking into account any anticipated changes in the load of each section and the consequent change in the number of men or their composition, in consultation with the Management. Similarly, the figures for allowances are adjusted to changes in the rates of allowances that have taken place.
- iii) Based on the figures as modified in (ii) above. a. percentage of the allowances to the basic wages is worked out for each sanction. This percentage is called the constant DA percentage.

These percentages are communicated to the EDP Section in May of each year for levy and inclusion in the labour cost of various Works Orders and warrants while preparing the monthly labour abstracts on the EDP Machines. The difference between the actual allowances paid for a month in each section and the amount allocated to various jobs at the predetermined rate is included in the variable overhead expenses pertaining to that section.

Collection of labour charges by jobs and expense.

(Indirect) Work Orders

14. The primary cost accounting documents used for the collection of labour expenditure by jobs and various Indirect Work Orders are, as mentioned below: -

- i) Piece Work Card
- ii) Day Work Card
- iii) Allocation Sheet
- iv) Labour Punching Media

As stated in Section I, the Planning Department releases Production Orders to the various Shops in the shape of a Manufacture Warrant, indicating the quantity to be manufactured, and the labour rate authorized for the quantity, based on the estimate. For jobs, for which payments to be made by Piece Work Rates, the labour portion of the Estimate shows the detailed calculations of the authorised Piece Work Rate. This Piece Work Rate is indicated in the Manufacture Warrant.

Piece Work Cards

(i) As production is completed, and certified as accepted Piece Work Cards are prepared by the Shops claiming payment according to the rates

authorised for each article. These Piece Work Cards show (1) the ticket number of the Piece Worker or the Piece Work Gang Number who performed the job (2) the Work Order and Warrant Number (3) description of the work performed (4) quantity accepted and (5) the rate at which payment is due. These Piece Work Cards are received in the Accounts Office and are checked with the Accounts copy of the Manufacture Warrant to see that the quantities paid for are covered by the Manufacture Warrant and that the rates claimed are correct. The cards are then priced indicating the total labour value on each card. For making payment to Piece Workers, all the Piece Work Cards relating to a Piece Worker or a Piece Work Gang for a month are summarized and the total payment due to each Piece Worker Gang determined. (In stations where there is EDP Section, the Accounts Office of the local Factories get these summaries prepared by the EDP Section).

Day Work Cards

(ii) For Day Workers, who are paid by attendance, the Shops prepare Day Work Cards showing the ticket number of the worker, the Work Order and Warrant Number and the time spent on the job. Normally one card is prepared for each week showing the various jobs and job times for a worker.

Allocation Sheet

(iii) For workers, who are continuously engaged on the same job throughout the month, the shops prepare a monthly allocation sheet, instead of Day Work Cards. Such Allocation Sheets generally relate to Indirect Work Orders.

The Day Work Cards and the Allocation Sheets received from the Shops for the month are priced by the Accounts Office by apportioning the total time wages earned by each worker, between the various jobs performed by him according to the time spent on each job.

Labour Punching Media

(iv) For booking payments pertaining to leave pay, holiday pay, overtime bonus, dearness and other allowances, in cost accounts, the Accounts Office prepares Labour Punching Media showing the Section Code number, the Work Order Number and total amount. All these Punching Media relate to Indirect Work Orders only.

Preparation of Labour Abstract

(v) All the Piece Work Cards, Day Work Cards, Allocation Sheets and the Labour Punching Media pertaining to a month are sent to the concerned EDP Section for the preparation of Labour Abstract. While forwarding these documents, the Accounts Office also intimates the control totals of each kind of document pertaining to each section. The Labour Abstract is prepared Section wise, showing each Work Order and Warrant and the amount of labour booked against each. The labour charges shown in the Labour Abstract are inclusive of allowances which are levied at the constant DA percentage. In certain EDP installation, the variable, and fixed overhead charges levied are also shown in the Labour Abstract. A top sheet is also prepared by EDP Section showing for each section the total labour charges booked against each work order series (01, 02, 70, 90. etc.) and also the grand total for the Section. The labour abstract together with the top sheet is sent to Accounts Office.

In cases where combined Labour and Overhead Abstract is prepared, the portion relating to direct Warrants are cut and posted on relevant Cost Cards. In other cases, these are posted on Cost Cards.

Section III -Accounting for Materials

Direct and Indirect Materials

15. For, the purpose of ascertaining the cost of various articles produced in the Factory, materials utilised in production are classified as direct materials and indirect materials. Material which forms part of the finished product is defined as direct material. Materials drawn for general shop use; maintenance and repair services etc. are treated as indirect material and charged as part of the overhead charges.

Direct Materials of small value, which are not critical from the production point of view and the total value of which does not exceed the maximum of half percent of the value of total are treated as Indirect Material. Items of indirect material which are only incidental to production and materials required for common operations like sealing, varnishing binding, soldering, glancing are also treated as 'Indirect Materials'.

Procurement of Materials

16. Materials required for production are obtained in advance of the period of utilization, and working stocks are held at all times so that production may continue without interruption. Firm annual issue Programme to the services is finalized before the beginning of each financial year. Based on the finalised issue programme/demands, the DGOF places extracts on the various Factories for production. Simultaneously the feeder Factories are also informed of the requirement of components. Action to provision materials is taken by the Factories in accordance with the orders issued by Govt. in this regard from time to time.

Working Stocks

Working Stock of Stores in Ordnance Factories is broadly categorized into two groups viz. (i) Direct Material i.e., Materials / Components Packages etc. used in the Products manufactured in Ordnance Factories and (ii) Indirect Material i.e. General Purpose Stores and Maintenance Stores.

Direct Material:

- a. For the purpose of initiating provisioning action for the items of service requirement with firm indents, the quantity agreed as settled with Services in the target fixation meeting before the

beginning of the financial year will be the basis. Further, provision of 25% quantity for the first quarter of next year may also be kept.

- b. When the target so given is not backed up by covering indents, Ordnance Factories are authorized to procure 25% of the requirements of input materials for the annual target with an option clause restricted to 25% of the contracted quantity/value subject to the following:
- (i) Receipt of a communication from the indentors that indent will follow to cover the target set.
 - (ii) The supply of the end product is within the issue budget firmed up in budget estimate; and
 - (iii) The end product is not likely to be phased out.

In respect of other than Services Indentors annual requirement as projected by the Indentor shall be considered as the basis for provisioning.

Imported Items:

For Direct Materials of imported origin, provisioning action will be initiated well in advance of the period of utilization. Provisioning action will be taken for requirement up to a maximum period of 24 months i.e. 12 Months in advance of the period of utilization, which is 12 months, less stocks and dues.

Indigenous Items:

For Direct Materials indigenously available, provisioning action shall be initiated at least six months in advance of the period of utilization which will be 12 months i.e. provisioning action will be taken for a maximum period of 18 months, less stocks and dues.

Indirect Material:

Provision of stock of indirect materials i.e. General Purpose Stores & Maintenance Stores which are not required directly in the production will be made on the basis of monthly average consumption during the preceding 24 months staggered delivery deleted.

Imported Items:

For Indirect imported Items, provisioning action must be initiated minimum six months in advance of the period of utilization which will be 12 months i.e. provisioning action will be taken for a maximum period of 18 months less stock and dues.

Indigenous Items:

For Indirect indigenous items, procurement action may be taken minimum six months in advance of the period of utilization which is twelve months i.e. for requirement up to a maximum period of 18 months less stock and dues.

N.B:

- (i) Exception may be allowed in the case of certain Stores where provision is required to be made on the basis of technical knowledge/uses after taking into account the life of the stores required or economic batch quantity or for the minimum quantity acceptable to the supplier.
- (ii) Where assessment of requirement based on past consumption is not considered adequate, due to high consumption of the item in the recent past or due to commissioning of new plant etc. requirement may be assessed based on the available data. In such cases full justification should be recorded. Similarly, where any reduction is foreseeable, for reasons such as declining production trends or the residual life of the plant concerned, the assessed requirement will also be reduced and reasons recorded.

SUPPLEMENTARY REQUIREMENTS:

The procedure prescribed above will also be adopted for Ad-hoc demands; and supplementary orders, if necessary, will be placed to position the materials.

STOCKPILE AUTHORISATION:

- a. Stockpiles of non-perishable imported materials shall be built up to 6 months requirements, and of indigenous materials difficult to obtain up to 3 months requirements except where higher limits have been specially authorized. Maximum monthly production envisaged on the basis of two shift normal working, where it could be worked, may be taken as the basis for calculation of the authorize stockpile holdings.
- b. Factory will ensure that the stockpiles are adequately turned over from time to time.
- c. The stockpiles referred to above will be entirely distinct from the regular or any other stocks that are referred to above.

Each item of stockpile shall be reviewed every year or as soon as it comes to notice that the indigenous production of the imported items has developed satisfactorily or the supply position of the indigenous items has improved or the production of the relevant store has been discontinued.

Stock Pile Items

Certain strategic stores which are difficult to procure in case of failure of normal supplies are Stock Piled. Such reserves of stores are financed from the budget grant for Capital Expenditure. These stores are accounted for in a separate ledger called Capital Store Ledger, as distinct from the regular Store Ledger and separate Bin Cards are also maintained by the Factory, for these stock-pile items. The balance in this Capital Store Ledger is shown as a separate item in the Capital Assets Account of the Factory.

Placing Orders

Provision of material is done on the basis of production programme and the position of stock/dues of materials.

Receipt of Stores and Accounting thereof

17. (i) All the items of stores received in the Factory are inspected and a Material Inward Slip (M I Slip) is prepared in each case which serves the purpose of an inspection certificate-cum-receipt voucher for the stores received. The Store Holder, on receipt of the Stores supported by the M I Slip duly endorsed with the inspection certificate, allots a Receipt Voucher Number to the M I Slip and endorses a certificate of the receipt of the stores on the M I Slip.

(ii) Two sets of accounting records are maintained for stores viz., Bin Cards and Priced Store Ledgers. The Store Holder maintains a Bin Card for each item of store wherein every receipt and issue is entered and after each transaction, the balance is shown. Thus a continuous quantitative account is maintained by the Factory for all materials. The material code number allotted to each item is entered in the Bin Card.

A Priced Store Ledger is maintained by the Accounts Office in which all receipts and issues showing quantity and value are posted for each item of store in a separate folio and the balance shown after each transaction.

The material code number allotted to each item of store is indicated in the ledger folio for the item.

Pricing of Receipt Vouchers

(iii) Receipts are priced at the actual cost of purchase plus all incidental charges incurred upto the point of receipt of the stores at the Factory. Thus, in the case of imported stores, sea freight, customs duty and port handling charges and inland freight charges, are all added to the purchase price to arrive at the cost of stores in pricing the receipt vouchers.

In case of local purchase, Receipt Vouchers are to be priced by LAOs with reference to rates quoted under Supply Order including Sales Tax, Excise Duty etc. but excluding Railway Freight, Transportation Charges etc.

Components supplied by other Factories or received from own Factory manufacture

(iv) Components and other manufactured materials supplied by other Factories against Inter Factory Demands are accounted for as materials in the Store Ledgers by the receiving Factory. The Receipt Vouchers are priced at the actual cost of manufacture as intimated by the Accounts Officer of the supplying Factory plus the incidental charges on freight.

(v) Components, Packing Boxes, manufactured in the Factory are also transferred to stock and accounted for as receipts in the store ledgers. Such receipts are priced at the actual cost of manufacture.

NOTE: If at the time of pricing the Receipt Vouchers, the actual charges are not available, the vouchers are priced at provisional rates and adjustments for the difference between the provisional value and the actual value of the vouchers are carried out through adjustment Receipt Voucher when the actual are known.

(iv) Scraps arising in production and surplus materials, if any, are returned by shops to stores on Return Notes. These are accounted for as, receipts in the Store Ledger and priced at the latest ledger rates for the items.

Issue Accounting and Control

18. Materials are issued by the Stores Department to Shops only against authorized requisitions. Such requisitions are called Demand Notes.

For direct materials required for production, the Shops prepare the Demand Notes showing the Work Order and Warrant for which the material is required, the ledger folio and description of the material and the quantity

demanded. These demand notes, together with the shop copy of the Material Warrant issued by the Planning Department, are presented to the Stores Department. The Stores Section allots serial numbers to the Demand Notes from a running series and the quantity issued is noted in the Material Warrant against each item. The Store Holder should not issue materials in excess quantities authorised on Material Warrants. In case of excess requirement the shops have to obtain special authorisation from the Planning Department in the form of Non Recurring material revisions to the concerned Warrants.

In regard to petty casual work or minor internal Factory services or repairs and maintenance or for departmental store orders, the Planning Departments releases Supplementary Work Order Drafts (SWOD). The SWOD serves the combined purpose of an Estimate and the Manufacture / Material Warrant. Materials are drawn by the Shops on the authority of these SWODs.

For materials required for general shop use, maintenance etc. the planning department issues "open warrants" on quarterly basis which constitute the authority for the shops to draw materials on as required basis.

Materials issued to outside consignees are supported by issue vouchers quoting reference to the demand against which such issues are made.

Stock Verification

19. The physical balances of all stores held by the stores department are verified by actual count/weightment to ensure that stocks as per accounting records exist. This verification is done by central stock verification staff that is attached to each factory but function directly under the administrative control of the DGOF's Headquarters organisation. They carry out a continuous stock verification, selecting a few items each day so that each item is physically verified at least once during a year. Bin card as well as ground balances are recorded in the stock taking sheets. A copy of S. T sheet is sent to A. O. for recording PSL balances on that particular date.

As soon as a discrepancy occurs between bin card balance and the actual stock or between bin card balance and PSL balance, a Discrepancy (surplus) or Discrepancy (deficiency) voucher as the case may be, is prepared and posted in the ledger with a view to keeping the ledger balance always and at any time in agreement with the physical ground balance. The discrepancy is subsequently investigated and settled. If on final

settlement, a surplus statement is necessary, the relevant surplus portion of the discrepancy (Surplus Voucher) is completed by the Factory and countersigned by the Accounts Officer. If a loss statement is necessary, the loss statement portion of the Discrepancy (Deficiency) Voucher is completed and loss regularised under the financial powers of the competent authority.

Review of Stores

20 A six monthly review is carried out by the Factory (with the assistance of the Accounts staff) of Slow and Non Moving Stores as disclosed from the transactions posted in the ledger folios. Slow Moving Stores would be those stores which have not been drawn for a period between one to three years prior to the date of review (viz. 31st March for Annual Accounts).

Non Moving Stores will be those stores which have not been drawn for a period of 3 years or more prior to the date of review (viz. 31st. March for Annual Accounts). Stores found surplus to the requirements of the Factory are declared for disposal. Prior to disposal, lists of such stores are circulated to other Factories and other Defence Departments and if any of the items are required by them, these are issued to them. The surpluses are declared to the Central Disposals Organisation (DGS&D except in the case of salvage and scrap other than iron and steel scrap arisings, and other items of stores not exceeding Rs. 5000/- in a single category) for arranging disposal. The above procedure is also applicable to plant and machinery items.

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

Pricing of Demand/Return Notes

21. (i) In Ordnance Factories where Computerised Priced Store Ledger (PSL) is maintained, Average Ledger Rates are worked out after posting of every receipt voucher. The Demand and Return Notes are priced at the average ledger rate prevailing as on the date of transaction. The average rate is arrived at by dividing (the opening value balance + value of fresh Receipt vouchers) by (the opening balance quantity + quantity of receipt as per fresh receipts voucher), illustrative example is given below.

| Date | Voucher Number | From or To | QUANTITIES | | | | Rates Rs | VALUE | | | |
|----------|----------------|------------|-----------------|----------|-------|-----------------|----------|-----------------|---------|--------|-----------------|
| | | | Opening balance | Receipts | Issue | Closing balance | | Opening Balance | Receipt | Issue | Closing balance |
| 1.10.06 | | | 50.00 | | | 50.00 | 10.00 | 500.00 | | | 500.00 |
| 10.10.06 | Issue Vr. | To | 50.00 | | 20.00 | 30.00 | | 500.00 | | 200.00 | 300.00 |
| 20.10.06 | Receipt Vr. | From | 30.00 | 70.00 | | 100.00 | 11.40 | 300.00 | 840.00 | | 1140.00 |
| 25.10.06 | Issue Vr. | To | 100.00 | | 25.00 | 75.00 | | 1140.00 | | 285.00 | 855.00 |
| 31.10.06 | Receipt Vr. | From | 75.00 | 30.00 | | 105.00 | 11.57 | 855.00 | 360.00 | | 1215.00 |
| 4.11.06 | Issue Vr. | To | 105.00 | | 40.00 | 65.00 | | 1215.00 | | 462.80 | 752.20 |

Note: In Ordnance Factories where Priced Store Ledger (PSL) is yet to be computerized, Ledger Rates in such cases are worked out at the end of a month whenever there are new receipts during a month. The monthly average rate is arrived at by dividing the opening value balance + value of Receipt vouchers during a month by the opening balance quantity + quantities of receipts as per receipts vouchers during that month.

(ii) By adopting this method, 'the value balance may not become 'NIL'. Adjustment document is made out by Accounts Office so that the value balance is 'Nil'. Average Ledger rates are worked correct to two decimal places.

Material Abstract

(iii) The Demand and Return Notes pertaining to a month, after they are priced and posted in the Priced Store Ledger, are sent to the EDP Section for preparing a Material Abstract. The Material Abstract is a listing type of tabulation in which the expenditure incurred against each Work Order and Warrant is shown Demand / Return Note wise and also the net total against each Work Order / Warrant. The net expenditure for each Warrant is posted in the Cost Card pertaining to the concerned Warrant.

Ensuring correctness of Store Ledger posting

22. The Store Ledger is posted by the Accounts office from Receipt and Issue Vouchers, Demand and Return Notes on a day to day basis, from copies of these vouchers received from the Stores Department. The ledger folios are maintained in loose sheets and kept in Binders with self locking arrangement. The Receipt Vouchers, Issue Vouchers, Demand Notes and Return Notes are arranged into separate batches and the batch totals for quantity (numerical) and value are posted in a control register. Thereafter the vouchers are posted in the Ledgers on Accounting Machine. While posting in the Ledgers a "back sheet" which is a carbon copy of the postings is also obtained. The accounting machine automatically accumulates the running totals of all vouchers posted in the Ledger separately for receipts and issues under quantity and value on 4 totalisers fitted in the machine. After all the batches for a day are posted, the totals obtained from the machine are posted in a control card and compared with the batch totals recorded in the control register, discrepancies if any, reconciled by checking the postings from the back sheet.

Every month a "Priced Store Account" is independently made out showing the value of 'Receipts' and 'Issues' of stores during the month. Care has to be taken to ensure that all primary documents viz. Receipt Vouchers, Issue Vouchers, Demand Notes and Return Notes released during the month as per certificates furnished by the Factory are accounted for in the "Priced Store Account" in the same month.

Two 'Registers' are maintained, one for 'Receipt Vouchers' and the other for 'Issue Vouchers'. The Vouchers are entered in serial order and date of receipt is noted against each voucher. The vouchers are priced and classified according to source of receipt/ Nature of issues. The values are noted against the vouchers under the appropriate head / heads. Consolidated summary is made out showing the total value of receipts, total value of issues and amount under each classified head. The total value of 'Return Notes' is shown in the 'Register for Receipt' and that of 'Demand Notes' in the 'Register of Issues'. The difference between the totals of 'Demand' and 'Return' Notes should agree with the figure as per 'Material Abstract'.

From these summaries Priced Store Account Schedules for 'Receipts' and 'Issues' are made out.

The 'Receipt Schedule' contains the value of stores received and accounted for during the month from different sources, transportation and customs duty allocated to cost of stores, Return Notes, surpluses etc.

The 'Issue Schedule' contains the value of issues during the month to different factories, other parties and losses of stores due to various causes. In addition, the value of Demand Notes is shown. At the end the P. S. A. for Issues, a summary is made out showing.

Opening Balance of Stock plus Receipt during the month.....
Total less Issues during the month.....
Closing Balance of Stock as at the end of the month.....

The total of 'Receipts' and 'Issues' must agree with the total recorded in the control Register : The total value of Demand Notes minus total value of Return Notes must agree with the total of Material Abstract. Once every half year the value balances in all the ledger folio are extracted by the Accounts office and their total compared with the balance as per the store Account, to ensure that the ledgers have been correctly posted.

Comparison of the quantity balance in the ledger folio with the balance as per Bin Card is done as on the date of Stock Taking and the reconciled balance is noted in the Stock Taking Sheet.

SECTION IV

Accounting for Overhead Expenses & Definition of Overheads

23. Overhead expenses may be defined as expenditure incurred for providing various facilities and services which are necessary, and incidental to production in the Factory. Expenditure relating to such functions as Supervision, Security, Welfare, Power and Water Services, Repair and Maintenance of Plant and Buildings, care and Custody of store etc., represents services common to all production. As such expenditure cannot be charged directly to the cost of each item of production it is called indirect expenditure or overhead.

All indirect labour charges, indirect material charges and such other expenses like salaries paid to Supervisory and Administrative personnel, Depreciation, etc. together comprise the overheads. It is necessary to charge such expenditure, ultimately, to each item of production in the Factory on a suitable basis to arrive at the cost of production of the items.

Classification of Overheads into Fixed & Variable

24. To exercise control over indirect expenditure, it is essential to distinguish items of expenditure, which vary in sympathy with the volume of production in the Factory, from those which tend to remain more or less constant. Overheads are therefore classified under the two broad Categories "Variable Overheads" and "Fixed Overheads". Under each of these heads various expenses are further classified by functions, to facilitate control and for statistical purposes. Each such classified expense is denoted by a Work Order number. `01' series of Work Orders represent fixed overhead expenses and `02' series, variable overhead expenses. In the existing system, there are 26 work orders for variable overhead expenses and 56 for fixed overhead expenses. Such classification being common to all the Factories, a standard list of work order is published in the Syllabus of Work Order Part – I (1997 Edn).

Allocation of Overhead Expenses

25. For indirect material and indirect labour charges the primary documents prepared by the Factory, viz. Demand / Return Notes, Day Work / Piece Work Cards and Allocation Sheets indicate the relevant indirect Work Order Number in the documents. Expenditure relating to salaries,

contingencies, depreciation etc. which does not appear as labour or material, is booked in Cost Accounts by the Accounts Office through allocation sheets, prepared monthly, with reference to primary records such as, salary and contingent bills, records of capital assets etc.

Departmentalisation of Overhead Expenses

26. The next stage in overhead accounting is Departmentalisation of the expenses or identifying the expenditure by the various departments in which the expenditure originates. For this purpose, the last two digits of the work order number are made use of, by indicating the section code number, so that collection of indirect expenses and their departmentalisation is achieved at the same time e. g. Work Order 02/00016/00.

Maintenance & repairs to Machinery

The Engineering Department undertakes repairs and maintenance services for all Production Sections. The expenditure pertaining to a particular Production Section is booked against the concerned section by quoting the work orders as 02/00016/15 in the accounting documents, where 15 represents the code number allotted to that Production Section.

From the primary documents sent to the EDP Section each month, two statements are prepared by that Section mechanically viz., (i) Statement of Sectional Variable Charges and (ii) Statement of Sectional Fixed Charges. In these summary statements, the expenditure is shown separately for each Section under each Work Order and under each Class of Cost, i.e. labour, material and other expenses.

Apportionment of Service Section Expenditure to Production Sections

27. As stated before, the Factory is divided into Production Sections, Service Sections and Administrative Sections. The expenditure incurred in the Service and Administrative Sections is apportioned to the Production Sections so that it could be finally charged to the cost of various items produced in these Sections.

Step Ladder allocation of Service Section Expenditure

28. For the above purpose, the Accounts office prepares separately, 'variable' and 'Fixed' Charges Statement. In this statement, 'Service Sections' are posted on the left side and 'Production Sections' on the right side.

The expenses pertaining to each Service Section is distributed to the Production Section in a single distribution in accordance with selected bases of distribution viz.

- a) Actual consumption (e.g. electricity used for power and light)
- b) Total direct labour in each Section.
- c) Percentages fixed by Management.
- d) Number of workers in each department (Hospital, School, Welfare)

Mixed Sections

Certain Sections, though they are predominantly Service Sections, may be doing work on direct work orders e.g., erection of machines by the Engineering Section. This is treated as production work and the cost of erection is capitalized along with the cost of the machine. In such cases, the Section is shown both on the left hand side and right hand side of the Step Ladder Statement. The indirect expenditure pertaining to the Section is first bifurcated between the Production portion, and Service portion of the Section in consultation with the Management, and the portion pertaining to each, is shown in the statement in the appropriate place.

Charging of variable overhead charges to cost of individual jobs

For the purpose of charging variable overheads to the cost of individual jobs in an equitable manner, a rate is worked out, separately for each Production Section / Cost Centre.

$$\frac{\text{Total variable charges of the production}}{\text{Total Direct Labour Charges in the section}} \times 100 = \text{Variable overhead percentage}$$

Predetermined Rates of Levy

30. The rates for levy of variable charges are calculated annually. The calculation of the rates does not; however wait till the actual charges for the year are ascertained, as this would delay the working out of the costs of individual items of production. At the beginning of each year, the charges are worked out on the basis of estimates of (a) Direct Labour Charges for each production section and (b) variable charges for each of these sections.

The estimates for the year are approved by a Central Budget Committee formed by the Factory for the purpose of

- i) Fixing appropriate rates for overhead levy and
- ii) Exercising control over expenditure.

Budget Committee Procedure

Each section has a Shop Budget Committee for preparing an estimate of direct labour charges for the ensuing year, and the variable charges taking into account, the past actuals and the current manufacturing programme. In respect of service sections, the estimate is prepared showing only the anticipated level of expenditure. These estimates are scrutinised by the Central Budget Committee and approved. After approval of the estimates, the Account Office prepares a statement for apportioning the service section charges to various production sections. The indirect variable charges of Stores Section assessed under specified work orders for the Factory as a whole is distributed on the basis of direct materials to be drawn by them. Accounts Office then work out the total variable expenditure for the Section based on these figures and estimates of direct labour charges appropriate variable charge rates are fixed by the Central Budget Committee. The rates thus fixed are adopted for the entire year. The budget is prepared annually by Central Budget Committee and quarterly review of the budget with reference to actual expenditure is done by Shop Budget Committee and Central Budget Committee.

Under Absorption and Over Absorption of Variable Charges

31. As the rates of overhead levy are predetermined, there is bound to be a difference between the actual expenditure incurred and the amounts charged to production in the year, either because of a variation in the actual labour charges or in the overhead expenses, or both, from the estimates while the actuals are reviewed with the estimates at the end of each quarter by the Shop Budget Committee and Central Budget Committee, the percentages are not changed. If at the end of the year, the difference between the actual and estimated charges is not more than 5%, of the actual charges then the difference is shown as such in the annual production accounts of the factory. If the difference is more than 5%, a supplementary levy of the variable charges is made against various work orders to reduce the difference to the permissible limits.

Fixed Charges

32. Fixed charges are mainly comprised of -
- i) Salaries paid to Gazetted, Non-gazetted supervisory personnel and Non Industrial employees.
 - ii) Maintenance and repairs of buildings and depreciation of buildings, machinery and other items.

iii) Share of expenditure pertaining to OFB's Hors. Organisation, and the P C of A (Fys) Main Office, and expenditure of the Accounts Office attached to the Factory.

Such expenditure does not vary in sympathy with the fluctuating volumes of production in the Factory from year to year. As the Ordnance Factories are required to meet the demands from the services, both during peace times and in times of war, there would be considerable idle capacity in the Factories in peace time. If the actual fixed charges incurred in peace time are charged in full to the cost of production, regardless of the total volume of production in a year, the resultant costs will be inflated and cost comparisons from year to- year would be difficult.

It is therefore, necessary to relate the levy of fixed charges to a normal capacity production, so that when a Factory is working below normal capacity production, due to lack of demands, the portion of the fixed charges representing idle capacity is not charged to the cost of the items produced. Estimates of the charges not required for current level of production against 01 series of Work Orders will be made as indicated below:-

Segregate

(a) Number of posts of different categories of personnel (staff & Officers) not required for the current level of production.

(b) Up-keep and Maintenance of Plant and Machinery installations, buildings / shops inside the Factory which are required to be used only in emergency.

(c) Excess provision in the Factory Estate, Hospital scheme etc. Fixed charges for the posts against items (a) together with charges at (b) and (c) constitute 'War Insurance Charges'. Charges on Items to be kept out of Production under 01 series of Work Order are assessed. From the total fixed charges, 'War Insurance Charges' and 'Charges on account of items to be kept out of production' are deducted. The estimate of these fixed charges is separately made for Production and Service Section. Charges for 'Service Sections' are allocated to Production Sections, in accordance with selected basis of distribution. The total fixed charges for each Production Section is arrived at a rate for levy of fixed charges is calculated as under -

| | | |
|--|---------|---------------|
| Fixed Charges for each production section | | Fixed charges |
| ----- | X 100 = | percentage |
| Datum Load direct labour for each section. | | |

The rates are reviewed after the end of each financial year.

Under Absorption of Fixed Charges

33. The difference between the fixed charges levied at predetermined rates and fixed charges incurred is shown as "Under/over absorbed Fixed Charges." The amount segregated on account of unutilised surplus capacity is shown as deduction in the Production Accounts of the Factory.

Preparation of Overhead Abstract

34. The pre-determined percentages for variable and Fixed Charges are ammoniated by the Accounts Office to the EDP Section. The EDP Section levies the overhead charges on the basis of direct labour incurred against each work order and warrant and prepares an overhead abstract mechanically on the EDP Machine. A top sheet is prepared showing-

- a) the total of direct labour charges.
- b) the total of variable charges levied.
- c) the total of fixed charges levied.

in respect of each production section separately and the grand total for the Factory. The overhead abstract is posted in the cost cards for the concerned Warrants by the Accounts Office.

Special points in Overhead Accounting

Power Cost Statement.

35. (1) Cost of electricity used for power and light is distributed to each section on the basis of measured consumption. A statement is prepared by the Management monthly, showing the total number of units of electricity generated (or purchased) and distributed for power and light purposes, and the section wise distribution. The total variable expenditure incurred by the Power House Section as ascertained from the Sectional Variable charges statement is posted in the power cost statement by the Accounts Office and a rate per unit is calculated therefrom. The number of units consumed in each section: for power and light are then priced at this rate and the amount pertaining to each service and production section is posted in the step ladder statement against the concerned sections.

Note: Similar statements prepared for charging steam and gas costs to various sections.

Deferred Revenue Expenditure

(2) All normal repairs to plant and machinery, required to maintain their working capacity, are treated as variable overhead expenditure and charged to production of the year in which the expenditure is incurred. If such repairs are, however, very heavy in respect of any particular plant in a year, the expenditure may be spread over a number of years, DGOF's prior approval is necessary for the purpose. The portion of repair expenditure that is carried forward for absorption in subsequent years is shown as an asset, in the statement of assets and liabilities, till it is completely charged to production in the subsequent years

With effect from 1.4.2006 expenditures on account of Transfer of Technology (TOT) incurred out of Revenue Grant be treated as Deferred Revenue. Such deferred revenue on account of TOT charges is to be absorbed in cost of the item as an element of Fixed Overhead to the outturn work orders alone, which are benefited from the respective TOT Agreement.

Preliminary Expenses

35. (3) When a new factory is planned, or new project is added to an existing Factory, expenditure is incurred on salaries and various other miscellaneous items. These charges are carried forward till production is established. These are levied as Preliminary Expenses. When the Factory project starts production, the Preliminary Expenses are charged to production on the basis indicated below

- i) Preliminary Expenses should be in terms of rupees per unit of product (s).
- ii) Rate of charging preliminary expenses should be based on the programmed production over a period which should not extend beyond ten years.
- iii) Rate of charging should be reviewed periodically so that these charges are liquidated within a period of ten years.

SECTION -V

Compilation of Production Cost of each Item and preparation of annual production accounts.

Compilation of Job Cards

36. Orders for manufacture of various items are placed on the Production Shops by the Planning Department through Manufacturing Warrants. Costs are compiled by the Accounts Office in respect of each Warrant by opening a Cost Card. The Work Order and Warrant Number, the DGOF Extract Number on the authority of which, the Warrant is issued, the quantity, and description of the article ordered for manufacture, and the Production Section undertaking the manufacture, are all noted in the Cost Card from the details furnished in the Manufacturing Warrant. The estimated cost of the quantity on order is worked out from the Estimate for the item and posted in a separate cage provided at the back of the Cost Card, showing the element wise analysis of the total cost. The Cost Cards are posted monthly, under the various elements of cost, from the Material, Labour and Overhead Abstracts.

When a Warrant is completed by a Shop, the Shop returns the shop copy the Manufacturing Warrant and the related Material Warrant to the Planning Department.

Completed Warrants

The Planning Department prepares a consolidated monthly list of completed warrants, and sends the list to the Accounts Office, together with the shop copies of the Warrants. On receipt of these, the relevant Cost Cards are picked out by the Accounts Office, for closing and working out the cost of production, in respect of each completed Warrant.

Closing of Cost Cards

The expenditure posted in the Cost Card is totaled and the summary of the total expenditure, showing the element wise costs, is posted at the back of the Cost Card in a separate cage provided for the purpose. The total quantity manufactured, quantity accepted, and quantity rejected, which are noted in the shop copy of the Manufacturing Warrant, are also noted by the

Accounts Office in the Cost Card, after verifying the same, with the Inspection Notes received in the Accounts Office.

If the rejections on the Warrant exceeded the normal provision for unavoidable rejection for the item, the value of the excess rejection is proportionately worked out by the Accounts Office from the expenditure recorded in the Cost Card, and deducted from the total actual expenditure for the warrant. The value of the excess rejection is regularised as loss. The net actual expenditure, after deducting the value of avoidable (excess) rejections, represents the **Cost of Production** of the quantity produced and accepted on the Warrant. From the net expenditure and the quantity accepted, the actual cost per unit is worked out, separately, under each element of cost and, in total.

Scrutiny of Cost Cards

The actual cost as worked out in the above manner is compared with the estimated cost, and the variation between the actual and estimated costs is scrutinized. The reasons are recorded in the remarks column of the Cost Card. If the variation between actual and estimated cost is more than 10% under Labour or/and Material, detailed reasons for the variations, are analysed. Thus for material it may be due to variance in price or variance in quantity. After recording the details, the cost card is sent to the General Manager for information and remarks.

Production Ledger Card

37. Simultaneously with the opening of a Cost Card, the Accounts Office opens a Production Ledger Card for each Warrant. The Production Ledger Card serves the purpose of a ledger folio. The receipts of articles completed and accepted in inspection are posted in the Production Ledger Card from the Inspection Notes received from the Factory. As the completed articles are issued to the indentors, the 'P' Issue Vouchers, received from the Factory are posted in the Production Ledger Card of the concerned Warrant on the issue side. The balances in the Production Ledger Cards represent articles completed but not issued. The total value of all such balances as at the close of a financial year is exhibited in the Finished Stock Account in the Annual Production Accounts of the Factory.

Process Costing

38. (i) When different grades of finished products are obtained by processing a single raw materials, or

(ii) When one final product involves processing through successive stages, the procedure for compiling the cost of finished products differs from Job (or Warrant) Costing. Examples of the first type of production are conversion of timber logs to planks at Gun Carriage Factory, Jabalpur, and production of tanned leather from raw hides, at Ordnance Equipment Factory, Kanpur. Examples of the second type are the production of Cordite at Cordite Factory, Aruvankadu, and TNT at High Explosives Factory, Khadki.

The procedure for ascertaining the costs of finished products is described below.

Timber Logs to Planks

39. For conversion of logs to planks, a Work Order is allotted under "08" series, "08" denoting Process Work Orders. Logs are drawn from stock against this Process Work Order on Demand Notes and labour charges incurred for conversion are also booked to this Work Order through Piece Work Cards. At the end of each quarter, the Factory prepares a statement showing.

- 1) Opening balance of logs, carried over from the previous quarter.
- 2) Logs drawn during the quarter
- 3) Logs in hand at the end of the quarter.
- 4) Quantities, and grades, of planks produced.
- 5) Loss in conversion.
- 6) Quantity of firewood and saw dust recovered.

Planks are graded according to length, width and thickness. Weightage is given to each grade or planks in terms of the lowest grade, for the purpose of costing the planks.

e. g., Gr. I 1 Cft. equal 3 Cft. of Grade III
Gr. II 1 Cft. equal 2 Cft. of Grade III
Gr. III

The fire wood and saw dust recovered are returned to stores on a Return Note to the credit of the Process Work Order.

The above statement is priced by the Accounts Office with reference to the expenditure on material, labour and overheads, as ascertained from the monthly Abstracts. The working of cost of planks produced is illustrated below:-

Logs Converted and Expenditure Incurred

| | Quantity (Cft.) | Value (Rs.) |
|--|--------------------|----------------|
| 1) Opening balance of logs | 100 | 100 |
| 2) Add logs drawn during the quarter | 500 | 500 |
| | ----- | ----- |
| TOTAL: | 600 | 600 |
| 3) Less logs carried over | 200 | 600 |
| 4) Logs consumed during the quarter | 400 | 400 |
| 5) Credit value of saw dust recovered | -- | 20 |
| 6) Net value of material consumed | 400 | 380 |
| 7) Labour and overhead charges for conversion | - | 520 |
| | ----- | ----- |
| TOTAL: | 400 | 900 |
| 8) Quantity of planks produced in equivalent grade III units | -- | 450 Cft. |
| 9) Rate per Cft of Gr. III plank | $900 / 450$ | = Rs. 2/- |

Planks Produced and Cost of Production

| Grade of Planks | Quantity (Cft.) | Equivalent Gr. III Units | Value Rs. | Rate per Cft. for each grade (4 ÷ 2) |
|--------------------|--------------------|-----------------------------|--------------|---|
| 1 | 2 | 3 | 4 | 5 |
| I | 50 | 150 | 300 | $300/50 = \text{Rs. } 6$ |
| II | 100 | 200 | 400 | $400/100 = \text{Rs. } 4$ |
| III | 100 | 100 | 200 | $200 / 100 = \text{Rs. } 2$ |
| loss in process | 150/400 | X | - /900 | |

The planks are transferred to stock and the Receipt Vouchers are priced at the rates calculated, as above, for each grade of planks.

40. At Ordnance Equipment Factory, Kanpur, raw hides are purchased and processed into tanned leather. The hides yield different grades of leather and differential rates are worked out of each grade of leather.

The production of tanned leather involves processing of the hides through several stages. For each such stage, a Process Work Order is allotted. While the raw hides are drawn against the Work Order for the first process labour charges and subsidiary materials required for each process are booked against the concerned Work Order.

Every quarter, the Factory prepares statements for each process, showing.

- (i) hides in process, at the beginning of the quarter.
- (ii) hides transferred from the previous process,
- (iii) hides transferred to the next process,
- (iv) hides in process, at the end of the quarter,

These statements are priced by the Accounts Office and the cost of the hides, as arrived at each process, is transferred to the next process. The quantities produced at the final process, are priced at standard rates fixed by the Management for each grade of leather and transferred to stock. The difference between the actual total cost of leather produced and total value at which it is transferred to stock is shown as profit or loss in the Finished Stock Account.

Cordite

41. Cleaned cotton waste is soaked in a mixture of Sulphuric and Nitric Acids and becomes gun cotton. The gun cotton is then mixed with Nitroglycerine to make cordite paste. The cordite paste is treated with Acetone and dried to become cordite. For each process (including the manufacture of Acids, Nitroglycerine and Acetone) a Process Work Order is opened. Every quarter, the Management furnishes statement in respect of each process showing quantities produced during the quarter, balances at the beginning and at the end of the quarter and quantities transferred to the next process. A Process Cost Statement is prepared by the Accounts Office for each process; and the transfers are made from process to process; to arrive at the cost of Cordite paste. The cordite paste is drawn against a Stock series

of Work Order, under which separate warrants are issued for making the finished cordite. Transfer Vouchers are prepared by the Accounts Office for debiting the cost of cordite to the concerned Warrants and crediting the Process Work Order.

Foundry Costing

42. Process Costing is also adopted for steel ingots produced in the Foundry Sections, at Metal and Steel Factory, Ishapore, Ordnance Factory Kanpur, and for brass ingots produced at Ordnance Factory, Ambarnath, Ordnance Factory, Katni, and Metal and Steel Factory Ishapore. A Process Work Order is allotted for the production of ingots. The ingots are classified according to composition, into different class of steel. A set of Foundry Statements is prepared every month, for working out the cost of different classes of ingots produced.

Foundry Form III is prepared by Management showing the details of different materials consumed in respect of each class of ingots and the quantities of ingots (by weight) produced. This statement is priced by Accounts Office to arrive at the value of materials consumed.

Foundry Form II is prepared by the Labour Section of Accounts Office showing the direct labour charges incurred. Overhead charges are levied thereon under Variable Charges and Fixed Charges at the rates applicable.

Foundry Form I is a Production and Issue Statement, prepared by the Management, showing the distribution of the ingots produced to various Work Orders and Warrants. The total cost of production for each class of ingots is compiled in this statement by the Accounts Officer from Forms II and III, and a rate per Unit (Kg) is worked out. The ingots issued to each out turn Work Order are priced at appropriate rates in the Statement, and the value shown against each Work Order / Warrant. A Transfer Voucher is prepared by the Accounts Officer for debiting each out turns Work Order / Warrant, by crediting the Process Work Order.

Semi / Manufacture

43. For the purpose of compiling the Annual Production Accounts, it is necessary to find out the value of Work-in-Progress as at the end of the year, so that the total Cost of Production of all articles completed during the year

can be ascertained. Each Production Section takes stock of Work Progress as detailed below: -

- (i) Verification of Non-moving and Slow-moving Warrants is carried out by the end of February and Semi statements are forwarded to the Accounts Office by early March.
- (ii) Verification of other items is carried out at the end of the year i. e. 31st March.

The Semi Statements contain Section wise.

- (i) Details of Work Order and Warrant Number.
- (ii) Description and quantity of each material in hand.
- (iii) In the case of part-finished work, the stage of manufacture and quantity.

These statements are checked by Accounts Office to ensure that all "Uncompleted Warrants have been included". In respect of Warrants, where part quantities have been completed, the outstanding quantity as shown in the Semi Statement is checked with the Production Ledger Cards. The Semi Statements are then priced and an Abstract is prepared showing the value of Work-in-Progress by each Work Order and Warrant under each element of cost.

In the case of selected principal items of Production, surprise physical verification is carried out by the Factory, several times in a year, so that the actual position of physical Work-in-Progress is comparable with the total production.

Closing of Part Completion Warrants

From the Abstract showing the value of Work-in-Progress, Work Order, Warrant wise postings are made in the Cost Card, as credit entry in a separate column provided for the purpose.

In respect of Warrants, on which part quantities have been completed and vouchered through Inspection Notes, the actual cost of the completed article on each Warrant, is worked out with reference to the expenditure recorded in the Cost Card, and the value of semi. Each Cost Card is totaled and from the total expenditure, the value of semi, which is posted in the Cost Card, is deducted to arrive at the cost of the articles completed during the year on the Warrant.

44. For the purpose of preparing the Annual Accounts, a Principal Ledger is maintained in each Accounts Office. The account in this ledger are so devised as to.

- i) Provide the information required for compilation of the final accounts and
- ii) Facilitate reconciliation with the expenditure compiled in the financial accounts.

The main accounts, and the information available in each account are mentioned below.

1) Wages and Salaries Account- The amount of wages and salaries paid to all Factory personnel are shown on the debit side of the Account, as per financial compilation. On the credit side, the allocation of the amount in Cost Accounts, under (a) Direct Labour (b) Indirect Labour and (c) Supervision (Overhead) charges is shown.

2) Store Account- This account shows on the debit side, the value of opening stock, and receipts during the year. On the credit side the value of (a) direct materials issued to production (b) indirect materials issued to production. (c) issues to outside parties and (d) closing stock at the end of the year, are shown.

3) Overhead Expenses Account- This account shows on the debit side the total overhead expenses incurred under various sub-heads like (a) indirect labour (b) indirect material (c) Supervision charges. (d) contingent expenses etc. The account is balanced by transferring the expenditure to the Work in Progress Account.

4) Work in Progress Account- This Account shows on the debit side.

- i) Opening balance of Work in Progress.
- ii) expenditure incurred on production during the year, separately under direct material, direct labour and overheads.
- iii) Over absorption of variable and fixed over-head charge (if any)

The credit side of the Account shows.

- (i) Cost of Production of articles completed during the year for Army, Payment, other Factories, Stock and Capital works.
- (ii) Unfinished Semi, carried over at the end of the year.
- (iii) Under absorption of Variable and Fixed Overhead Charges.

5) Capital Assets Account - This account shows the value of land,, buildings and machinery and reserve stock-pile at the beginning of the year

and expenditure incurred during the year on debit side and on the credit side, depreciation charged for the year, value of assets disposed of and the value of land, buildings and machinery and reserve stock pile items at the end of the year.

Based on the information provided in the principal ledger, the annual (a) Store Account, (b) Production Account. (c) Finished Stock Account (d) Capital Assets Account and (e) the Statement of Assets and Liabilities as on 31st March (balance sheet) are prepared for the Factory. From 'the individual accounts of the Factories, combined accounts for all the Factories are prepared by P C of A (Fys.) Main Office.

Special Points

Development Expenditure

45. Expenditure incurred on the development of new items of production is compiled separately in respect of each item and accounted for in the following manner

A Development Work order is allotted to each item. The development work is generally divided into three stages viz. (a) manufacture of a pilot batch, (b) establishment of batch production having scope for further improvements in technique or manufacturing methods and (c) final establishment of manufacture by standardization of technique and manufacturing, methods.

Separate warrants are issued to mark the completion of each stage of development. Articles which are successfully manufactured at stages (i) and (ii) are coated at estimated rates in consultation with the Management and the value transferred to the regular outturn Work Order for the item by crediting the Development Work Order. The net development expenditure incurred at stages I and II for each item is charged to the cost of subsequent production of the item at the rate fixed by the Management. The rates are so fixed that the development expenditure can be fully charged off within a period of 7 years.

The balance of development expenditure remaining to be charged at the end of each year is shown as Work in Progress in the Production Account of the Factory.

Except System of Accounting for Components

46. At Ammunition Factory, Khadki, Ordnance Factory, Khamaria, Rifle Factory, Ishapore and Small Arms Factory, Kanpur, Ordnance Factory, Varangaon and Ordnance Factory, Tiruchirapally manufacture of components required for producing ammunition and weapons is undertaken on a separate Work Order for each component. The components are not transferred to stock nor accounted for in Store Ledgers. The components remain on Production Charge and are drawn for assembly on the assembly Work Order, through Red Demand Notes. The Red Demand Note shows (a) the quantity and description of the component, (b) the Work Order and Warrant to which the issue is made and (e) the Work Order and Warrant from which the issue is made. It is thus virtually a transfer voucher. These Red Demand Notes are priced by the Accounts Officer and a separate Component Abstract is prepared. The value of components is treated as Departmental Material (class of cost 22) on the assembly Warrant and is posted in the cost card in a separate column. The value of components is shown as a credit under the component Work Orders in the Component Abstract.

Accounting for Tools

47. `Tools' and `Gauges' of standard type as well as tools for general shop use should be manufactured and repaired under '02' series of Work Order 02/00008/00. Cost of this general and standard tool will be levied on jobs as an item of variable overhead. The last two digits will indicate the Code Number of the user section to facilitate the charging of the cost of tools to the variable overhead of the user section.

Tools, Gauges, etc. which are peculiar to a particular out turn will be manufactured against direct Work Orders. This will be done by allotting sub numbers to the main out-turn Warrant.

`Tool Room' should be treated as both 'Service' and 'Production' Section. Overhead expenses incurred in the Tool Room is allocated between the wings on pro-rata basis.

Control over expenditure against Work Order 02/00008/00 is exercised by the Budget Committees.

As regards capitalization and amortization of tools following procedure should be followed with effect from 01/04/07.

- i) All tool gauges etc of the value of Rs. 40,000/- and above, whether manufactured in house or bought out from trade should be capitalized, provided their life is not shorter than 2 years. No financial compilation needs to be made for the same.
- ii) All tools, gauges etc of the value of Rs. 40000/- or more but the life is shorter than 2 years, whether manufactured in-house or bought out from trade should be treated as revenue and cost thereof charged to production in the year of incurring the expenditure, as variable overhead through indirect Work Order 02/00008/00.
- iii) All tools, gauges etc of the value of which is less than Rs. 40000/- whether manufactured in-house or bought out from trade, irrespective of their life, should be treated as revenue and cost thereof charged to production in the year of incurring the expenditure as variable overhead through indirect Work Order 02/00008/00.

Normal rate of 5% per annum will be adopted for charging depreciation.

SECTION –VI
COST CONTROL

Cost Control Procedure

48. (i) In the earlier sections of this manual, the importance of Cost Control as a major function of cost accounting was stressed. Cost Control is a procedure by which the activities and performances of a factory are carried out under controlled conditions, so that the expenses can be controlled before or during the course of production. Thus Cost Control is a preventive function leading to maximisation of efficiency and reduction of costs. Cost control consists of the following processes:

- (a) Setting up a target or norm either in physical or monetary terms. The target may take the form of standard costs, estimates, budgets or even historical data for the previous accounting periods.
- (b) Measurement of actual performance. This is equivalent to recording the actual cost, i. e. Cost finding or Cost ascertainment.
- (c) Comparison of actual with the pre-determined target.
- (d) Analysis of variations between the actual and the target in order to locate the causes leading to such variations and establishing a reporting system by which these variations are communicated to the appropriate level of management. Any failures or deviations from the target or any achievements towards better efficiency are, promptly brought to notice.
- (e) Investigation of the causes leading to these variations and corrective action to remove them.

Cost, obviously, not incurred in the Cost Accounts Office. It is incurred as a result of executive action at all levels, and every production activity costs money. The incidence and direction of cost is initially determined when the targets are fixed by the top level management. Thereafter, the action of the various executives at lower levels, such as the Production Manager, Shop Foreman/JWM, Purchase Manager etc. has an impact on cost. Further down the level, the individual action of the worker also determines, to a large extent, the efficiency and cost of production. It is, therefore, correct to state that the control of cost starts on the shop floor at the point where cost is incurred. Physical control and control on the spot by the shop executives are more effective than mere reporting and furnishing of data by the 'Cost Accountant. Unless, therefore, there is a full co-ordination,

fusion of efforts and Cost consciousness at all levels of the management, any system of Cost control is bound to fail.

Viewed in the above context, the measures taken in the Ordnance and clothing Factories towards effective cost control may be summarized below. Some of the procedures mentioned have been discussed earlier in detail but the object of referring to them again here is to project a comprehensive and impact picture of the entire system of cost control adopted in the Ordnance and Ordnance Equipment Factories.

Cost Control methods in the Ordnance and Ordnance Equipment Factories can be examined under two aspects, viz. (a) Control of direct cost i. e. direct material and direct labour, and (b) Control of overhead charges.

Control of Direct Costs

(ii) In the Ordnance and Ordnance Equipment Factories, direct material and direct labour constitute about 75% to 80% of the total cost of production. These two elements therefore, provide a significant area for effective cost control. The standard estimates lay down the total of each type of material, and the quantity, rate and the material cost for a specified unit of output. Similarly, the labour portion of the estimates, which is prepared after a careful time-study, shows the name of each operation, the grade of the workman, time authorised for each operation and the total labour cost. Quantitative or physical control over the utilisation of material and labour - is exercised through material and manufacture warrants, which provide the break-up of the direct material and direct labour operation for a specified batch of production, and the shop Foreman / JWM is allowed to draw material and utilise, labour within in limits set.

Concurrent Review of Costs

The costs are computed monthly, in the various EDP tabulations and posted in the relevant Cost Cards. The Accounts Officer keeps a watch over the progress of expenditure and reports to the management appreciate variations and other significant features while the work is still in progress, so that remedial measures may be taken in time. For this purpose, the Accounts Officer selects some Warrants where heavy expenditure is incurred and points out the progress of expenditure against these Warrants, the progress of issues as against the quantities manufactured, the quantities of rejections and significant variations in cost as compared to the Estimates. The

Accounts Officer also highlights heavy and abnormal rejections, and any other abnormal features which warrant the attention of the Management.

On the completion of a job, the cost thereof is made available to the management within about six weeks of the closure of the Warrant. The Accounts Officer analyses the variations of the actual from the Estimates the reasons leading to them and reports these to the Management for further probe and for taking corrective action, as considered necessary. While reporting variations from estimates, both excess expenditure and savings are taken into account, comparison is also made with Cost of Production of earlier batches of the same item and any variations between the amount and previous costs are examined. When an item is manufactured in more than one Factory, comparison of costs in the various Factories provides a useful instrument of control.

Control of Overhead Costs

(iii) As, by their nature, overhead charges are not identifiable with or related to specific units of production, their control is not so easy as in the case of direct costs. Fixed charges are mostly in the nature of "policy costs" and are hardly controllable at the lower levels of management. Further, the Ordnance and Clothing Factories incur fixed overheads in excess of day-to-day requirements in order to meet the needs of the war-load.

It is because of the differences in the nature of the various items of overhead charges that these have been classified into fixed and variable. Control over the variable overheads is exercised with the help of budgets, which constitute the target or ceiling upto which expenditure on each specific item can be incurred. The system of budgetary control of variable overheads has been discussed in Section IV.

Cost Reporting

(iv) To sum up, while the physical control of expenditure primarily rests with the Management at different levels, the Accounts Officer renders vital assistance providing useful tools for the purpose in the form of correct and prompt reporting of information. It is, with this end in view that numbers of Cost Report and Returns have been provided. Management by exception should be the keynote of the procedure of reporting. Information regarding deviation from the estimates and budgets should be highlighted, and the performances which conform to the norms need not be reported unless

specifically called for. This not only saves time and effort, both in, the Accounts Office and management, but also enables the latter to concentrate attention on matters of importance, without unnecessarily having to wade through a mass of irrelevant data.

SECTION -VII

Accounting for Capital Assets

Classification of Assets and accounting for Assets

49. Capital assets are classified under (a) Land, (b) Buildings, (c) Plant and Machinery and (d) Other Items. These assets are accounted for in Capital / Block Registers maintained by the Accounts Office.

The Accounts of Capital Assets in the Factories are maintained in three Block Registers by Accounts Office, one for Buildings items and other two for Machineries items (of the two Register for Machineries, one for machineries procured under NC/Project Grant and other for Machineries procured out of RR Fund). The entries in the Block Registers are made on the authority of Capital Series Building & Machinery Receipt Vouchers prepared by the Management. Each items of Capital Assets is allotted a register number by the Factory for purpose of identification.

Block Register for Buildings and other items etc. will show:

1. Original Purchase value.
2. First year's depreciation charges.
3. Opening balance of the book value of the Capital Assets.
4. Addition during the year.
5. Reduction during the year (including Annual depreciation).
6. Closing depreciated book value at the end of the year.

Block register for Plant & Machineries will show:

1. Register Number.
2. Description.
3. Date of Acquisition.
4. Original Capital Cost.
5. Cost of addition and disposal.
6. Amount of depreciation charged during the year.
7. Depreciated Book Value.

RENEWAL RESERVE FUND

Government has approved the creation of Renewal Reserve Fund for the Ordnance & Ord. Equipment Fys. with effect from 1990-91 which is different from the one prescribed earlier in this organisation. While the

previous one was treated as a capital expenditure, this will be revenue expenditure under Consolidated Fund of India.

Nature of work that can be financed from Renewal Reserve Fund are Renewal/Replacement of like items or those involving improvement in methods of operation and manufacture and all expenditure involving betterment in some form or other including modernizing of obsolescence items. The assets created out of Renewal Reserve Fund will be on like to like replacement basis and will be financed entirely from Revenue Heads.

However, all the Plant & Machinery irrespective of the fact that whether the same are procured through New Capita /Project Grant or through Renewal Reserve Fund will be taken on Block Charge as Capital Assets Account of the Factory.

Depreciation

Land is not depreciated. Buildings, Machinery and other items are depreciated in accordance with rates fixed by Government.

Straight line method will be adopted for working out the amount of depreciation based on expected life of Machine irrespective of usage.

The same will be booked to work order 01/00034/00 in case of Machinery procured under Capital Grant and 01/10034/00 in case of Machinery procured under Renewal and Replacement Fund.

All permanent Buildings both Industrial and Non-Industrial will be depreciated on the basis of assessed life of 60 years after deducting the usual residual value equal of the normal amount of depreciation.

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Plant and Machinery is depreciated at the rates given below:-

| Type of Machine | Rate of depreciation (at percentage of original assessed cost of taking over minus residual value shown in the next column) | Assessed residual value (at percentage of original assessed cost of taking over). |
|---|---|--|
| 1. Machines installed in Tool Room and Production Shop | 5% | 5% |
| 2. Sewing Machines | | |
| a) Ordinary Sewing Machines | 6 $\frac{2}{3}$ % | 6 $\frac{2}{3}$ % |
| b) High Speed Sewing Machines | 10% | 10% |
| 3. Motor Vehicles such as Diesel/ Petrol Driven trucks, Fort-lift Trucks, Dumpers, Tractors, Railway Shunter, Mobile Cranes Internal transport trucks | 20% | 20% |
| 4. Air conditioners and Refrigerators | 10% | 10% |
| 5. Air circulators, pedestal fans, exhaust fans | 5% | 5% |
| 6. Electrical main and meters as also electrical installations and fans in industrial buildings and in the factory estate other than factory quarters and Telephone and Telephone Mains | 64% | 64% |
| 7. Electrical Installation and fans in factory quarters | 5% | 5% |

Note:- Depreciation is not charged in the case of machines which are awaiting installation and commission.

Allocation of Depreciation Charges in Cost Accounts

Depreciation charges at the appropriate rate are noted in the subsidiary register showing the machine located in each section by the Accounts Office. Allocation sheets are prepared monthly by Accounts Office charging depreciation of machineries procured under NC and Project Grant to Work Order Number 01/00034/00 and Machineries procured from RR Fund to Work Order number 01/10034/00. Depreciation of Building is allocated to Work Order Number 01/00019/00 and other assets to the Work Order Number 01/00018/00.

The life of all Plant and Machinery which are used beyond the original estimated period of life is valued as under:-

50% of normal annual depreciation
X Number of years the plant is expected
to render further service
plus the Original Residual value.
Depreciation during this period is at 50% of the normal rate.

Life of Buildings is re-assessed by a Board of Offices consisting of an officer deputed by the General Manager, Accounts Officer and a representative of the MES.

Balancing the Block Registers at the end of the year.

(vi) The depreciation charges for the year, in respect of each assets, are posted in the Block Register. The residual value of each asset at the close of the year is also shown in the Block Registers.

**SECTION VIII
MISCELLANEOUS**

52. Productivity Linked Bonus

(1) The payment of P.L.B is admissible to :-

- (i) All Gr. 'C' & 'D' employees and non-gazetted Gr. 'B' employees of Ord. Fys Board organisation including OEF & Armoured vehicle Group of Fys, Directorate General of Quality Assurance with an overall ceiling of emoluments of Rs. 2500/- for 30 days excluding teaching staff in schools maintained in Ord. Fys and DGQA organisations.
- (ii) Defence Accounts Department staff working in the Ord. Fys. and in the organisation of Principal Controller of Accounts (Fys.), who are borne on the establishment of CGDA under Min. of Defence, but under the functional control of OFB including DAD employees on deputation to Controller of Finance (Fys.).
- (iii) The casual labour who have worked for at least 240 days for each year for three years or more.
- (iv) All employees referred to in (i) would form one unit for the purpose of Bonus calculation.

(2) The following are the features of revised formula :-

- (a) Average Piece Work Profit of Ord. Fys. will form basis to determine the PLB that will be payable in a year.
- (b) The revised PLB formula has a base of 30 days for 25% P. W. Profit and for every 2% increase in P. W. Profit, one additional day of PLB will be payable provided that this payment for more than 30 days will be due only when P. W. Profit exceeds the index of 25% by 4% i.e. in other words for 29% P. W. Profit, the PLB payable will be 31 days. Thereafter, for every 2% increase PLB will increase by one day.
- (c) If the P. W. Profit exceeds 50% in any year, it shall be restricted to 50% for purpose of PLB. PLB shall thus not be paid in excess of 41 days in a year.
- (d) In case average P. W. Profit % fall below 25%, the PLB will be reduced i.e. if the P. W. Profit falls by 4% below 25%., PLB will be reduced by one day (if P. W. Profit is 21%, PLB will be paid for 29 days). Thus for each subsequent reduction of 2%, PLB will be reduced by one day.

- (3) The revised formula of PLB is subject to the following conditions :-
- (i) OFB will review the standard man-hours for jobs whenever there is a change in production processes or when new labour saving machines are introduced and
 - (ii) The formula will be revised after 3 years from implementation, i.e. from accounting year 1999-2000.

(Auth : MOD letter no. 48(4)/98/D(B&C) dt. 27th July 2000)

CIVIL TRADE ORDERS

53. The policy of the Government is to utilise the spare capacity available after meeting service demands for the manufacture of store etc. for sale to civil trade other non-military departments including Central and State Governments, Public bodies, Municipalities, Local Board and other semi-Government Institutions and Foreign Governments. Manufacture is undertaken against 80, 82, 83, 84 and 88 series work orders. The Ordnance Factory Board / General Manager are authorized to fix the quotation price without prior concurrence Accounts Officer / Principal Controller of Accounts (Factories). The Accounts Officer prices and checks the arithmetical accuracy of the estimates. He ensures that orders issued by Government are not over-looked. Pricing of all materials other than non-ferrous scrap is done with reference to market or controlled price. Minor difference between ledger and market/controlled price may be ignored and ledger rates may be adopted where market rates are not available. Price of non ferrous scrap is fixed on the basis of the value of grade1 scrap as given in "The Eastern Metal Review". The prices of other scraps are calculated on the basis of the percentage given in the relevant orders.

In respect of pricing of OFB products against Civil Trade

(a) OFB alone in consultation with Member (Fin) is authorized to quote minimum price redefined as $DM + 50\% \text{ of } DL + \text{cost of special tools}$ if any + cost of special packing if any + cost of utilities e.g. power, water fuel etc. wherever such cost exceeds 8% of direct material. Above dispensation is subject to the following conditions:

- (i) Notwithstanding the above dispensation OFB will make effort to realize the maximum cost/price that the market can bear.

- (ii) OFB to ensure that no element of truly variable incremental cash cost constituting additionally to the total cost on account of Civil Trade Order is left un-recovered.
- (iii) The proposed formula to quote minimum price will be applicable for exceptional cases only for utilization of capacities rendered idle due to inadequacies of order from services and Para military forces.
- (iv) There will be no change in existing power delegated to General Managers for determining price to be quoted against Civil Trade enquiries.

Accordingly General Managers are authorized to quote minimum price of any civil trade item computed on the basis of direct labour plus direct material plus 20% total overhead charges. If any case a lower price is proposed, prior approval of OFB should be obtained for which a case with full justification should be sent.

Auth: MOD letter No. 5(1)/2000/D/(Prod) dt. 14.02.2001 read with OFB letter no. 30/CT/Policy dt. 05/11/1996

Non-Recurring Rate and Non-Recurring Revisions to Materials

(54) The standard Estimates provide for various labour operations required for a job as well as quantities and description of various materials required. Cases occur where due to certain defects in manufacture on account of various causes, due to materials not being to the correct size or shape it is necessary to carry out additional operations not provided in the Standard Estimate or draw materials in addition/excess of that provided in the Standard Estimate. Authorisation for additional labour operation is provided in N. R. Rs (Non Recurring Rate Forms) and for materials on N. R. Ms. The control on issue of NRRs/NRMs is ensured thus -

- (i) Authorizing the Manager, R & E/Works Office to sanction NRRs/ NRMs upto Rs. 5000/-. Beyond this, sanction of the GM is necessary.
- (ii) Prescribed forms should be used.
- (iii) Reasons necessitating issue of NRRs/NRMs should be recorded on these documents.
- (iv) Reasons should be scrutinised by Accounts Office and follow up action taken for ensuring remedial measures in cases where the recurrence can be avoided.

(v) Separate registers-one for NRRs and another for NRMs will be maintained shop/section-wise by R & E Works office of the factory. All NR Rs/NR Ms sanctioned will be posted warrant-wise in the register. Main warrant consists of 5 digits. The first four digits are for the main warrant The fifth digit is reserved for control purpose. Thus 1 and 2 in the last digit denotes NRRs NRMs respectively.

Accounts office collects the figure monthly from the various abstracts with reference to the control figures and intimates the same to the factory for check with reference to the entries in the registers maintained by the factory. Based on this and other details remedial measures are taken.

(vi) When alternative material is proposed, the above form will be used. The financial effect is the difference between the value of the new material and material provided initially.

Timber Costing at Gun Carriage Factory, Jabalpur

55. Logs of various kinds of timber are accounted for in the Bin Cards / Stores Ledgers. These are drawn for conversion into planks. A monthly statement is made out by the Saw Mill Section for conversion of logs/sleeper to planks.

The columns are

| (1) Elements of cost | (2) Quantity in Cft. | (3) Rate per Cft. of log | (4) Value | (5) Recoveries of |
|-----------------------------|----------------------------|--------------------------------|--------------|--|
| Materials | | | | Fire wood (Ord) |
| Opening balance | | | | Fire wood Selected Saw Dust |
| Drawals during the month | | | | Off Cuts Gr. I Off Cuts Gr. II |
| D. O. No. and date | | | | Return to Stores Balance in hand on planks |
| Direct Labour | | | | Groups IOR 1 |
| Variable charge% | | | | IOR 2 |
| Fixed charge% | | | | IOR 3 |
| | | | | IOR 4 |
| | | | | IOR 5 |
| | | | | IOR 6 |
| | | | | IOR 7 |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

| | | | | | |
|---------------------------|---------------------------|-------------|-------|--|---|
| | | | | | IOR 8 |
| | | | | | IOR 9 |
| | | | | | IOR 10 |
| | | | | | Total plank producers |
| | | | | | To difference due to less or excess timber |
| (6) | (7) | (8) | (9) | | |
| Quantity in Cft Cwt | Return Note No. & Date | Rate per | Value | | |

Distribution of Cost

| | | | | | |
|--------|---------|-----------------------|--------|------|-------|
| (10) | (11) | (12) | (13) | (14) | (15) |
| Wt.No. | W.O.No. | I. Note No. & Date | in Cft | Size | Value |

The debit side consists of opening balance of logs and drawals during the month. To the value of these, labour expended on conversion of logs and overheads charges on the above are added. From this, the value of timber fire wood and saw dust recovered, logs returned to stores and log in hand is deducted to arrive at the cost of planks Produced. The planks are graded in 10 groups according to quality and size of planks. Quantities of various groups of planks are posted against each group. There is a mid-weight fixed by the factory for planks of each group. Total of mid-weight for all planks is worked out and there after the rate per mid-weight is determined. By applying the rate, the total value of planks of various groups is calculated. Loss in conversion of logs to planks is reviewed with reference to the scale fixed and regularisation action taken where necessary.

The planks are required to be seasoned. Kiln seasoning of the plank is And the expenditure on kiln season is distributed monthly to the through Kiln Cost Distribution Sheet. Along with the 'Kiln Cost ion Sheet', allocation sheet giving the Ticket Numbers, Rate of pay designation of each I. E. employed against W. 0. 03/00303/00- Kiln seasoning of Timber is furnished. Kiln Seasoning consists of

- (i) Labour charges including overheads.
- (ii) Steam cost as per allocation from steam cost statement, and
- (iii) Material, if any, from material abstract.

$$\text{Seasoning Cost} = \text{Capacity} \times \text{Time} \times \text{Rate}$$

$$\text{Rate} = \text{Seasoning Cost} / \text{Capacity} \times \text{Time}$$

Based on the rate, the distribution is made to different planks as sited below:

Kiln Cost Distribution Statement

Seasoning Rate/Day 100% Capacity

Seasoning Cost = Total P. C. Capacity X Time X Rate X Day

| Size | <u>Stock in Hand</u> | | <u>Receipts</u> | | <u>Total Stock</u> | | |
|------|----------------------|-------|-----------------|-------|--------------------|-------|------|
| | Qty. | Value | Qty. | Value | Qty. | Value | Rate |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |

| <u>Closing balance</u> | | <u>Planks seasoned</u> | | <u>Seasoning charges</u> | |
|------------------------|-------|------------------------|-------|--------------------------|------|
| Qty. | Value | Qty. | Value | P. G. Capacity | Time |
| (9) | (10) | (11) | (12) | (13) | (14) |

| <u>Seasonal cost</u> | <u>Total cost</u> | <u>Rate per qty.</u> | <u>W. O.</u> |
|----------------------|-------------------|----------------------|--------------|
| | Col. 12 & 15 | | |
| (15) | (16) | (17) | (18) |

| <u>Distribution</u> | | | |
|---------------------|--------------------|-------------|--------------|
| <u>Wt. No.</u> | <u>Rt. Vr. No.</u> | <u>Qty.</u> | <u>Value</u> |
| (19) | (20) | (21) | (22) |

The quantity shown against `08' series of work order under column 13 of the timber Balance Sheet i. e. Saw Mill Section Statement should agree with the quantities of planks seasoned as per Kiln Cost Distribution Sheet.

The Special features are thus the distribution of `Kiln Cost' and the allocation of expenditure on suitable basis to various types and size of planks produced.

Organisation of the Ordnance Factory Board (OFB)

56. Ordnance Factory Board was constituted in April 1979 for achieving various objectives as mentioned in the general order on the subject with-Chairman / DGOF and 7 Members. The Members look after the operational division. In addition there is a Member for each of the following functions:

- (i) Personnel
- (ii) Finance
- (iii) Planning and Material Management
- (iv) Projects & Engineering and Technical Services.

The Chairman is the Chief Executive. As DGOF, he is the Administrative Head. All the Ordnance /Ordnance Equipment Factories except five factories viz. Ordnance Equipment Factory, Kanpur, Ordnance Clothing Factory, Shahjahanpur, Ordnance Parachute Factory, Kanpur, Ordnance Clothing Factory, Avadi and Ordnance Equipment Factory, Hazratpur under Ordnance Equipment Factories group and five factories viz. Heavy Vehicle Factory, Avadi, Ordnance Factory, Medak, Engine Factory, Avadi, Ordnance Factory, Dehradun & Opto Electronics Factory, Dehradun under Armoured Vehicles Division are under the OFB. The five Ordnance Equipment Factories function under Additional DGOF (Ordnance Equipment Group of Factories) and five factories of Armoured Division function under Additional DGOF (Armoured Vehicle Group of Factories). For purposes of uniformity in procedure and control, the Additional DGOF, (OEF) & Addl DGOF (AV) Groups report to the DGOF.

Functions of the organisation of the Principal controller of accounts (Factories) are integrated with the OFB in regard to Factories under its control. Functionally the Principal Controller of Accounts (Factories), Controller of Finance and Chief Internal Auditor report to Member (Finance) in regard to accounting, financial and audit functions respectively.

SYLLABUS OF WORK ORDERS

Indirect Expenditure - Fixed charges (01)

| Work Order | Description of Work Order |
|-------------|--|
| 01 00001 00 | Clerical and other office staff including telephone operators, Checkers, etc |
| 01 00002 00 | Clerical and other office staff including telephone operators, Checkers, etc. |
| 01 00003 00 | DA/HRA/CCA paid to IES belonging to Factories. |
| 01 00004 00 | Peons, Orderlies and Messenger. Gazetted Officers and N.G.Os |
| 01 00005 00 | (i) Police, Gate Keepers, Watchmen including Factory Defence and (ii) Civil Defence Measures & Fire protection |
| 01 00006 00 | (i) Inspection Charges, (ii) Supervisors and (iii) Godown Keepers. |
| 01 00007 00 | Misc. Store Adjustment including losses (beyond control) to be Kept out of Production. |
| 01 00008 00 | Printer's Shop & Drawing Office. |
| 01 00009 00 | Holiday and Leave with pay to IEs |
| 01 00010 00 | Payment to surplus Workmen for Retrenchment Compensation under Industrial Disputes Act. |
| 01 00011 00 | Idle Time beyond control. |
| 01 00012 00 | Govt. Contribution to IOD & IOFWP Fund (including workmen) |
| 01 00013 00 | Superannuation Charges |
| 01 10013 00 | Govt. matching contribution towards New Pension Scheme. (Auth: PR/O/146/Amdt./V dt. 24.05.05 |
| 01 00014 00 | (i) Training in India other than in Ord. Fys. (ii) Training of apprentices under Act and other National Scheme undertaken by Ord. Fys. |
| 01 00015 00 | Maintenance of Railway Sidings. |
| 01 00016 00 | (i) Repairs of Electric Installation and (ii) Minor Alteration to Wiring and Removal & Re-erection of Telephones & Telephone Mains. |
| 01 00017 00 | Maintenance of Buildings, Roads etc. including repair to electric fitting such as lights, fans, radiators etc. which form integral part of building. |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

| | | | |
|----|--------|----|---|
| 01 | 00018 | 00 | Depreciation charges on capital assets other than buildings & machinery. |
| 01 | 00019 | 00 | Depreciation Charges Buildings. |
| 01 | 00020 | 00 | Factory & Estate Dispensary & Hospitals (including hygiene cell) & Anti malarial Measures. |
| 01 | 00021 | 00 | Factory Canteen. |
| 01 | 00022 | 00 | Labour Welfare Fund. |
| 01 | 00023 | 00 | i) Conservancy, road lighting & maintenance, and ii) Estate Revenue and Expenditure. |
| 01 | 00024 | 00 | Factory School. |
| 01 | 000125 | 00 | Rates, rents and taxes recovered from occupants of factory quarter. |
| 01 | 00026 | 00 | Services for OFB HQRS and services for other Factory, Accounts Offices, the CCA(Fys) including EDP Section. |
| 01 | 00027 | 00 | Central Administration(Fys) |
| 01 | 00028 | 00 | Central Administration(Accounts) |
| 01 | 00029 | 00 | Factory Accounts Office |
| 01 | 00030 | 00 | i) Care & Custody of Stock, ii) Miscellaneous Stores Adjustment including losses (within control) chargeable to production. iii) Development Expdr. pertaining to unsuccessful/cancelled items. (Auth: PR/II/1128/XVI dt. 24.3.99) |
| 01 | 000131 | 00 | Misc. Credit Adjustment including profit on sale of stores. |
| 01 | 00032 | 00 | Miscellaneous Adjustments. |
| 01 | 00033 | 00 | Office Furniture and Contingencies. |
| 01 | 00034 | 00 | Depreciation of machinery under capital grant. |
| 01 | 10034 | 00 | Depreciation of machinery procured under renewal and replacement Fund. |
| 01 | 00035 | 00 | Manufacture, upkeep and supply of samples, patterns etc. to other Factories departments and Outsiders. |
| 01 | 00036 | 00 | i) Accident Prevention ii) Clothing of IEs and iii) Cost of Welfare Measures. |
| 01 | 00037 | 00 | Incidental and Miscellaneous expenses (less amount charged direct). For identification of expenditure relating to Transfer of Technology (TOT) 'I' may be employed in the third digit of work order. However, in case one factory is operating more than one TOT agreement, for identification purposes control codes 1,2,3 etc. may be used at 3 rd digit of this work order. (Auth: PR/V/938/TOT dt. 26.10.06) |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

| | | | |
|----|-------|----|--|
| 01 | 00038 | 00 | Stationery stock forms, printing and binding. |
| 01 | 00039 | 00 | Miscellaneous indirect services rendered by other Factories and Formations. |
| 01 | 00140 | 00 | i) Unclaimed wages lapsed, ii) Miscellaneous Adjustments, iii) Miscellaneous Receipts. |
| 01 | 00141 | 00 | Miscellaneous indirect services for other Factories or Formations. |
| 01 | 00042 | 00 | Miscellaneous Equipment & Moveable Shop fittings. |
| 01 | 00043 | 00 | Conversion or break up of articles borne on store charge. |
| 01 | 00044 | 00 | Preliminary Expenses. |
| 01 | 00045 | 00 | i) Expenditure on In-House R&D and ii) Departmental Experiments. |
| 01 | 00046 | 00 | i) Care & Custody of surplus stock, emergency reserve, stock-pile items. Care & Custody of stores & plant during the period between its declaration for disposal & removal after disposal & preparation & removing of old redundant machines for sale. ii) Loss of stock pile items. |
| 01 | 00047 | 00 | Misc. Allowances granted to IEs less amount charged direct. |
| 01 | 00048 | 00 | Payment to workmen under W.C. Act and Injury Pay & payment for infectious disease. |
| 01 | 00049 | 00 | i) Training scheme either for appointment as workmen or for the upgrading of workmen to meet the requirements of the Ord. Fys. ii) Training of personnel for Ord. Fys. A.M.s (probationers) iii) Training schemes for appointment in supervisory or equivalent grades in Ord. Fys. Organisation. |
| 01 | 00050 | 00 | Residual value of machines sold out & book value of machines Transferred to other Mily formation. |
| 01 | 00151 | 00 | Book value of machines transferred to other Mily. Formations & sale proceeds of machinery |
| 01 | 00052 | 00 | Maintenance of (i) overhead cranes (ii) motor transport & (iii) transport other than MT |
| 01 | 00153 | 00 | Relief to be taken of DA, HRA & CCA allocated at constant percentage to both direct & indirect W.O. S as a part of labour charges. |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

- 01 00154 00 Under absorbed fixed charges in respect of modernised sections transferred to preliminary expenses. In the 3rd digit of this work order 'I' is to be employed to identify unabsorbed fixed charges on account of TOT. (Auth: PR/V/938/TOT dt. 26.10.06)
- 01 00055 00 Expenditure incurred towards environment protection and effluent treatment plant (Auth: PR/VIII/146/Amdt. Dt. 29.4.98)
- 01 00056 00 Expenditure relating to Information technology-Hardware, soft ware, maintenance computer stationery and IT training including Expdr. For EDP operation in Fy. (Auth: PR/O/146/Amdt. /Vol- IV dt. 28.9.03.)

SYLLABUS OF WORK ORDERS

Indirect Expenditure -Variable charges (02)

| Work Order | Description of Work Order |
|-------------|---|
| 02 00001/00 | General Shop Labour |
| 02 00002/00 | Payment of Night Duty Allowances to IEs |
| 02 00003/00 | Payment of Incentive Bonus paid to IEs |
| 02 00004/00 | Overtime Bonus paid to IEs |
| 02 00005/00 | Idle Time(within control) |
| 02 00006/00 | Internal Transport and Weighing Machines. |
| 02 00007/00 | Sundry Shop Stores and Articles of an expendable nature for shop use. |
| 02 00008/00 | Tools for general shop use including repairs replacement of tools, gauges and patterns. |
| 02 00009/00 | Heat Treatment and Tool Hardeners. |
| 02 00010/00 | Packing Charges |
| 02 00011/00 | Repairs. |
| 02 00012/00 | Other Miscellaneous Receipts. |
| 02 00013/00 | Cost of utilities including generation, distribution maintenance, repair etc. (The part of utilities' cost which cannot be charged direct) |
| 02 00014/00 | Fuel. |
| 02 00015/00 | BLANK |
| 02 00016/00 | Maintenance, repair, removal and re-erection, minor additions and modifications to machinery including foundations, belting, oiling etc. |
| 02 00117/00 | Recovery of cost of electric energy and water, etc. supplied and power and water used for lighting, water supply, etc. |
| 02 00018/00 | i) Replacement, rectification or break up of stores manufactured and supplied to other factories but returned on account of defective work and accepted by the consignor factory. ii)Salvage Operation, and iii)Replacement or rectification of stores manufactured and supplied to civil indentors as well as service indentors but returned on account of defective work and accepted by the consignor factory. |
| 02 10018/00 | Repair of Defective detonator 4 Sec/ 7Sec supplied to CPMFs (in OFCH & OF KH for 2 yrs) Auth: PR/O/146/AMDT/Vol-V dt. 20.10.05 |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

| | | |
|----|----------|---|
| 02 | 00019/00 | Misc. indirect services rendered by other factories and formations. |
| 02 | 00120/00 | Misc. indirect service for other factories or formation. Proportionate share of certain factory expenses debitable to Inspection Section or any other section or formation within the factory but not forming part of it. |
| 02 | 00121/00 | i) Proceeds from packages and scrap recovered from inventory machinery etc. and ii) Misc. scrap and surplus components. |
| 02 | 00122/00 | Under absorbed variable charges transferred to Preliminary Expenses. |
| 02 | 00023/00 | BLANK |
| 02 | 00024/00 | Repairs to Furnace. |
| 02 | 00025/00 | BLANK |
| 02 | 00026/00 | Difference between actual cost of production and the cost charged at predetermined rate in respect of small value items should be booked to this work order. |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

MANUFACTURE WARRANT

I.A.F.O.-1935

| | | | | | | | | | | | | |
|----------------------------|-----------|---|------|-----|----------|-------------|----------|-------------|----------------|-------------|----------|----------------|
| Section | | Factory | | | | | | | Ext.No. | | | |
| Manufacture Unit | | Article:- | | | | | | | S.W.O. No. | | | |
| Drawing No. | | | | | | | | | Wt No. | | | |
| Estimate No. | | | | | | | | | No. of seats | | | |
| Rate form No. | | | | | | | | | Ordered | | | |
| Deliveries to Commence | | Special Remarks | | | | | | | For G.M | | | |
| Rate of Delivery Required. | | PIECE WORK CARD RECORD | | | | | | | Date of issued | | | |
| Completion Required by | | Quantity{ Manufacture section Enters work given out Accn. Section enters opns.paid for | | | | | | | Date Completed | | | |
| No. | Operation | No. Requd. | Rate | Per | Card No. | Date Issued | Quantity | Date Compd. | Card No. | Date Issued | Quantity | Date Completed |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
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| | | | | | | | | | | | | |
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| | | | | | | | | | | | | |

I. A. F. O. 1894 (Fac.)

MATERIAL WARRANT

Component to be entered in red ink

| Item | | | | A. D. R. | No. or sets ordered | P.D.C. | | | | | |
|---------------------|---------------------|-------------|----------------------|-----------------------|---------------------|--------|--|--|--|-------|--------|
| | | | | | | | | | | | |
| Extract No. | S.W. O. No. | Warrant No. | V. O. S. (I) Section | Rep. Order No. | Manfg. Section | | | | | | |
| Special Remarks | | | | | | | | | | | |
| For General Manager | | | | | | | | | | | |
| Folio | Material sanctioned | Unit | Quantity | <u>Quantity drawn</u> | | | | | | Total | Remark |
| | | | | | | | | | | | |
| | | | | | | | | | | | |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

I.A.F.O 1889

INDIVIDUAL/GANG WORKER'S CARD (18) / (19)

| Factory | | Month | | | | Serial No. | | | |
|-----------------|-----------------------|--|--------------------|--|--|--------------|------|-----------------------|---------------|
| | | | | | | | | | |
| Section | | Work order No. | | | | Warrant No. | | | |
| | | | | | | | | | |
| Extract No. | | Ticket/Gang No. | | | | Name | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Rate from No. | | Articles | | | | | | | |
| | | | | | | | | | |
| Operation | No. ordered | Operation accepted (initial beneath number) | | | | | Rate | Class of Cost H./M | Amount Rs. |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Shop Initial | Inspection Initial | | Account Initial | | | Total Labour | | | |
| | | | | | | | | | |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

I.A.F. (FAC.)-95

COST CARD

Cost card opened on _____ Factory _____

Initial of Section Officer _____ Year _____

| Extract No. | No. of the standard estimate | Quantity No. or Sets | | Warrant No. | Work order No. | Section on which the warrant Has been placed | | | |
|--------------------|------------------------------|----------------------|-------------------------|----------------------|-----------------------|--|--------------------------------|--|-------------------|
| | | ordered | completed | | | | | | |
| | | | | | | | | | |
| NOMENCLATURE:- | | | | | | | | | |
| Month | Section | Labour | Material | | | Vvariable Charges 36 Rs. | Fixed Charge Code 39 Rs. | Other charges Code 40 to 43 Rs. | Total cost Rs. |
| | | Code 11 Rs. | Store Code 20 Rs. | Store Code 21 Rs. | Prodn. Code 22 Rs. | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| Total Carried over | | | | | | | | | |

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

REPLACEMENT EXPENDITURE

Replacement Warrant No.....

Quantity for replacement

| Month | Section | Code 11 Rs. | Code 12 Rs. | Code 20 Rs. | Code 21 Rs. | Code 22 Rs. | Code 36 Rs. | Code 37 Rs. | Code 38 Rs. | Code 39 Rs. | Code 40 to 43 Rs. | Total Cost Rs. |
|-----------------|---------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------------|----------------------|
| Brought Forward | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| TOTAL | | | | | | | | | | | | |

COMPARATIVE COST

| | Labour | | Materials | | Variable charges | | | Fixed Charges RS. | Other Charges Rs. | Total Cost Rs. | Cost per unit RS. |
|-----------------------------|----------------|-------------|--------------|-------------------|------------------|-------------|-------------|----------------------|----------------------|-------------------|----------------------|
| | Machine Rs. | Hand Rs. | Store Rs. | Production Rs. | S.I. Rs. | N.P. Rs. | P.M. Rs. | | | | |
| Semi on 1st April | | | | | | | | | | | |
| Expenditure during the year | | | | | | | | | | | |
| replacements tools | | | | | | | | | | | |
| Total | | | | | | | | | | | |
| Less closing semi actual | | | | | | | | | | | |
| Estimated Different | | | | | | | | | | | |

Comments:

Retransmitted to the G.M. With the following

remarks.

Applicable only when the variation is more than 10% under labour / Material

Forwarded to the G.M for information and return with any remarks he may desire to offer.

.....A.O.

.....General Manager

.....G.M.

.....A.O.

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

I.A.F.O. 1926

DEMAND NOTE 27/57/67

(One item only to be entered on this note)

| Factory | | | Section | Date | Serial No. Of Note | Work Order No. | Warrant No. |
|------------|-------|------|-------------------------|------|-----------------------|-----------------------------|-------------------------------|
| | | | | | | | |
| Ledger No. | | | Description of material | | Class of cost | Unit of Quantity | Quantity |
| Vol. | Folio | Sub. | | | 20 21 28 | | |
| | | | | | | Rate (in rupees & Decimals) | Values (In rupees & Decimals) |
| | | | | | | | |
| | | | | | | | |

Demanded

Issued

Received by

Priced

Posted

FOREMAN

STORE HOLDER

FOR FOREMAN

ACCOUNTS

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

I.A.F.O. 1927

RETURN NOTE 22/52/62

(One item only to be entered on this note)

| Factory | | | Section | Date | Serial No. Of Note | Work Order No. | Warrant No. |
|------------|-------|------|-------------------------|------|-----------------------|-----------------------------|-------------------------------|
| | | | | | | | |
| Ledger No. | | | Description of material | | Class of cost | Unit of Quantity | Quantity |
| Vol. | Folio | Sub. | | | 20 21 28 | | |
| | | | | | | Rate (in rupees & Decimals) | Values (In rupees & Decimals) |
| | | | | | | | |
| | | | | | | | |

RETURNED

RECEIVED

PRICED

POSTED

A.W.M.
Foreman

STORE HOLDER

ACCOUNTS

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

STORE LEDGER & PROVISION SHEET

FOLIO & MATERIAL
CODE No.....

Factory..... Vocabulary Section Danger Level Unit of Quantity..... Code No.
 Nomenclature Drawing No. Maximum Group No.
 Use..... Specification Ordering Level..... Location.....
 Substitute if Offered..... Do..... Date of Last Stocking
 Source of Supply Last Reviewed on

| Last 3 Years. Issues | M.R. | Working Balance | Reserves | Date | Initial | Date | Initial | Date | Initial | Date | Initial | Date | Initial | | | | | | |
|-----------------------|--------------------------|-----------------|-------------------------|-------------|------------|-----------------|----------|--------|-----------------|------|-----------------|----------|---------|-----------------|--|--|--|--|--|
| 19 | PEACE | | | | | | | | | | | | | | | | | | |
| 19 | WAR | | | | | | | | | | | | | | | | | | |
| 19 | | | | | | | | | | | | | | | | | | | |
| Provision Information | Work Order & Warrant No. | Date | Folio Material Code No. | Voucher No. | From or To | QUANTITIES | | | | Rate | VALUES | | | | | | | | |
| | | | | | | Opening Balance | Receipts | Issues | Closing Balance | | Opening Balance | Receipts | Issues | Closing Balance | | | | | |
| | | | | | | | | | | | | | | | | | | | |

The opening of this is Authorized on
 Accts. Sn..... Provn. Sn.....

COST ACCOUNTING IN ORDNANCE AND ORDNANCE EQUIPMENT FACTORIES

I.A.F. (FAC-39)

PRODUCTION LEDGER CARD

| Extract | | | Warrant | No. ordered | No. Completed | Balance | | S.W.O. _____ Description _____ Unit of Quant. _____ | | |
|-----------------------|------------------------------------|----------------------|----------------------|-------------|------------------------------|----------------------|------------------|---|------|-----------------------------|
| No. | Date | No. ordered | | | | Unfinished semi | Finished semi | Estimate Etc. | | Per(Unit of Quantity) |
| | | | | | | | | No. | Rate | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Warrant | Receipts | | Rejections | | Issues | | | Remarks regarding covering sanction 9 | | |
| | Inspection Note No. and Date | Unity of Quantity | Unity of Quantity | Value | P. Issue Vr. No. &Date | Unity of Quantity | Value | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | |
| Finished Semi B.F. | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Total | | | | | | | | | | |

MCHK 021907