

Introduction

In real business scenario, it may not be possible for an industry to carry all processes leading to manufacture of final product within its own premises. In such an eventuality the manufacturing unit will have to get the work done i.e. processing of the raw materials or intermediate product from outside. The processes performed outside are called **Job Work**.

Definition Given under Excise

In the context of the Central Excise law, **Job Work** has been defined under **Rule 2(n)** of the **Cenvat Credit Rules, 2004** to mean processing or working upon raw material or semi-finished goods supplied to the job worker, so as to complete a part or whole of the process resulting in the manufacture or finishing of an article or any operation which is essential for aforesaid process.

Looking at the above definition we can say that **Job Work** or **Sub Contracting** is an activity of taking an order to manufacture or process goods as per the prescription of the client by utilizing material supplied by the client or purchased on behalf of the client and charging him for the services provided as Job Work or Sub Contract.

Job Work or **Sub contracting** is also a part of **trading business**, maybe not as large as in the case of manufacturing. In our Day to day life we might have experienced this. E.g. we visit a suit length showroom and liked a piece of cloth for the suit. The retailer takes the measurement for Stitching and asks us to get back for collecting the ready suit after few days. What does he do in the meantime? He gives the suit length to a specialist tailor and receives the ready suit after stitching and finishing, this, too, is job work or sub-contract.

Many manufacturing industries fall under the purview of Excise however few are still exempted from Excise like in the case of **Garment Manufacturing**. For industries falling under Excise, there are few rules and regulations which we will be discussed later in the chapter.

Reasons for Delegation of Job

Following are the reasons for the delegation of job

- ❑ Job Worker has specialisation in the Job delegated
- ❑ Time Constraint on the part of Principal to manufacture the goods
- ❑ Principal does not have the facility to produce the specific semi finished goods

Job Work Flow (Process)

Job Work Flow (process) are common for industries giving/receiving job order, whether falling under Excise or not. Job work Flow is as shown below

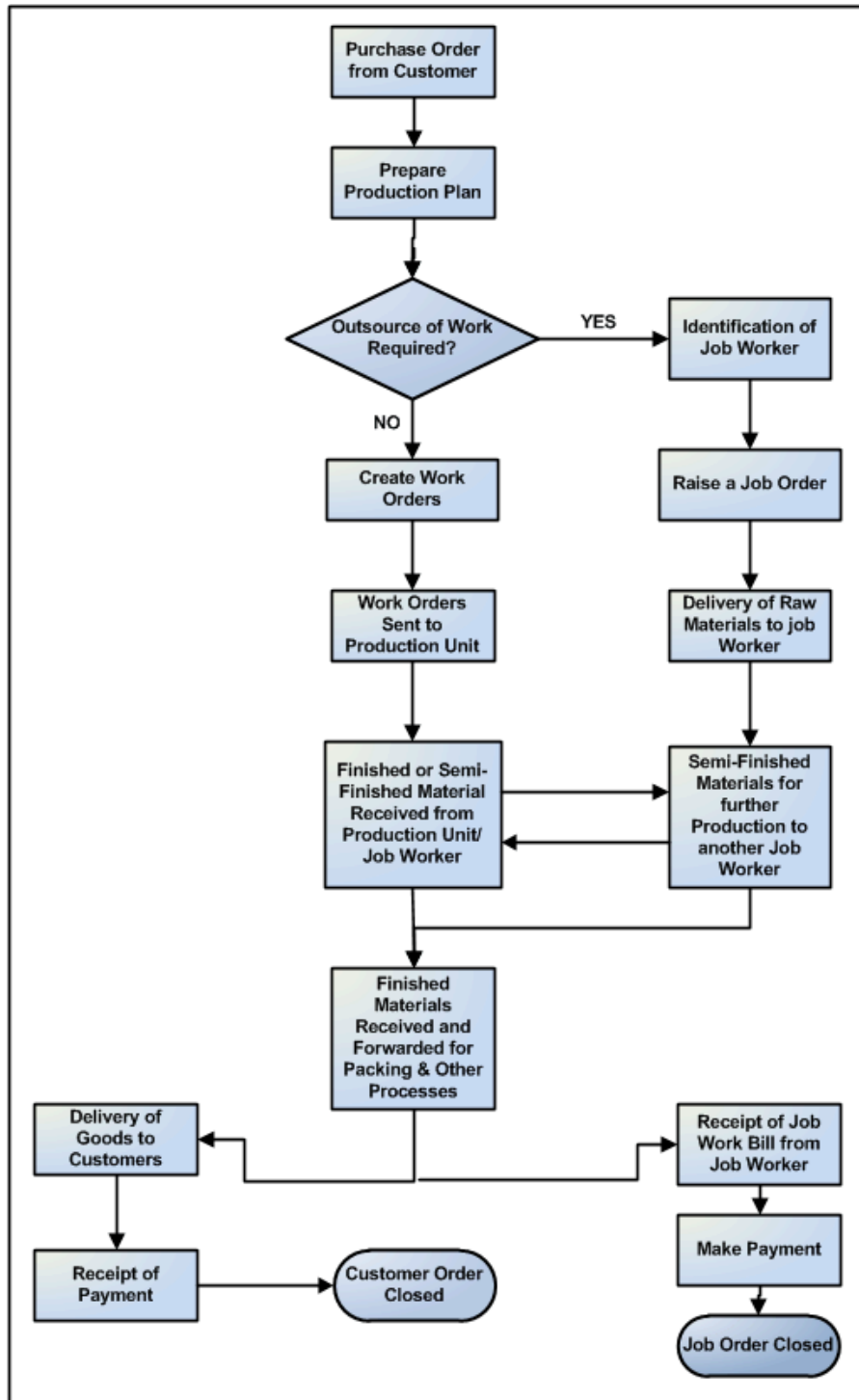


Figure 1.1 Job Work Flow

Difficulties in Job work Process

Job Work Out

Following are the problems faced when job is delegated to a Job Worker

□ **No standard practice to delegate a Job**

In real business scenario, the standard procedure of delegating a job -

- Raising the Job Work out Order
- Material Transfer Out (from the premises of Principal Manufacturer/directly from the supplier of Raw materials to the Job worker)
- Accounting the receipt of finished goods
- Accounting the Bill from the Job Worker
- Payment to the Job Worker

is not followed by all the principal manufacturers. The procedure of delegation of Job varies from organisation to organisation depending on the nature of the Job delegated or type of transaction (depending on the regularity) or relationship with the Job worker.

□ **Monitor & Analysis of Material**

- Tracking Job Work wise - Raw material to be issued, actual raw material despatched, variance in quantity of raw materials as against the agreed Bill of Material
- Tracking quantity of Finished goods to be received, actual receipt and balance
- Ageing of Stock (Raw material /semi-finished goods) lying with the Job Worker
- Preparing Material Movement Registers

□ **Cost/Profit Tracking:** Principal manufacturer can ascertain the cost of manufacture of a job delegated. These statistics can be used to compare and analyse the cost as against cost of manufacture of goods in house or by other Job workers.

□ **Meeting Statutory Requirements**

- **Annexure II** - Challan for despatching the inputs, Raw-Materials, semi-finished goods to the Job Worker
- **Annexure IV** - Register for Material tracking (by Principal company if excise applicable)

Job Work In

Following are the problems faced when a Job is received by the Job worker

□ **No standard practice for receiving a Job**

In real business scenario, the standard procedure of receiving a job -

- Receipt of Job Work In Order
- Material Transfer In (from the premises of Principal Manufacturer/directly from the supplier of Raw materials of Principal Manufacturer)
- Accounting Delivery of finished goods
- Raising Invoice for billable work/stock
- Receipt of Payment from the Principal Manufacturer

is not followed by all the Job workers. The procedure of receiving Job varies from organisation to organisation depending on the nature of the Job or type of transaction (depending on the regularity) or relationship with the Principal Manufacturer.

- ❑ **Monitor & Analysis of Material Received**
 - Tracking Job Work wise - Raw material to be received, actual raw material received, variance in quantity of raw materials as against the agreed Bill of Material
 - Tracking quantity of Finished goods to be despatched, actual Quantity Delivered and balance
 - Preparing Material Movement Registers
- ❑ **Job Worker Invoice**
 - Tracking of own material consumption by the Job Worker for a job
 - Billing for the own material consumed for the Job
- ❑ **Cost/Profit Tracking:** Job Worker can ascertain the cost of manufacture of a job received. These statistics can be used to compare and analyse the cost/profit of job work carried out for different Principal Manufacturers.
- ❑ **Meeting Statutory Requirement**
 - **Annexure V** - Register for Material tracking (by Job Worker if excise applicable)

Scrap, By-Products and Co-Products

Under Job work if any Scrap **By-product** or **Co-product** is manufactured, depending on the agreement between the principal and the Job worker, product may be returned or sold to the job worker or to the third party.

Number of Job Workers involved in the Manufacture of Goods

It is possible for a Principal (Manufacturer/Trader) to send the goods to one job worker who does part of the process required and then forwards the goods to another job worker who does the remainder of the process.

In this case, the first job worker can send the goods to the second job worker under his own delivery challan along with the copy of the challan received from the principal. The second job worker would then send back a copy of the challan received from the first job worker back to him and the copy of the original challan of the principal to him with his own challan. The period of 180 days would be counted from the date of sending of the goods by the principal to the first job worker.

Supply of goods to Job Worker's Premises

The principal manufacturer/raw material supplier can also ask his supplier to despatch the materials directly to the job worker's factory without receiving it at his factory. For this, the supplier would have to ensure that his invoice mentions the job worker as the consignee and the principal manufacturer/Trader as the buyer.

The principal manufacturer would be entitled to claim cenvat credit on his purchases only when the processed materials are received at his factory from the job worker's premises.

Salient Features of JoB Work in Tally.ERP 9

Tally.ERP 9's simple yet powerful Job Work feature enables you to record transactions related to Job Work with ease. The Job work functionality in Tally.ERP 9 has the following features:

1. Simple and user-friendly
2. Quick and easy to set up and use
3. Job Work Out Process
 - ❑ Record Job Work Out Order by capturing the details of Components to be issued and Finished Goods /Scrap to be issued
 - ❑ Account the Receipt of Components towards a Job order or directly record the Material receipt by creating the Job Order.
 - ❑ Flexibility to account the Receipt of Finished goods without raising Job Work Out Order and Material In voucher
 - ❑ Track cost against the Job Work Out Orders
4. Job Work In Process
 - ❑ Record Job Work In Order by capturing the details of Components to be received and Finished Goods /Scrap to be delivered
 - ❑ Account the Receipt of Components towards a Job order or directly record the Material receipt by creating the Job Order.
 - ❑ Flexibility to account the delivery of Finished goods without raising Job Work Out Order and Material In voucher
 - ❑ Track the Own Consumption of Goods against the Job Orders and Bill the same on the Principal manufacturer
5. Generate Annexure II for Removal of Goods for Job Work
6. Maintain and Generate Annexure IV (by Principal Manufacturer - if excise applicable)
7. Maintain & generate Annexure V (By Job Worker - if excise applicable)
8. Reports
 - ❑ Generate Order Outstandings report for Orders & Components
 - ❑ Generate Job Work Registers such as
 - Job Work Out Order/ Job Work In Order
 - Material Out Registers
 - Material In Registers
 - Material movement Register
 - ❑ Provision to view the details of Stock lying with the Job worker and ageing of the stock
 - ❑ Provision to generate the report to analyse the variance in issue of components and receipt of finished goods and vice versa.