

15th November, 2007

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To
ALL PUBLISHER MEMBERS
CC: Bureau Auditors, Publisher Auditors

NOTIFICATION NO. 783

**Amendments to Bureau's audit guidelines – applicable
to all newspaper publisher members**

I) NEED FOR A CHANGE

Bureau's Council of Management discussed various alternatives over last several meetings to increase the relevance of audited and certified circulation data amongst the users. Many views were expressed by the members, amongst them restricting trade terms to the distribution trade in the present context of intense competition and fast changing market dynamics was considered a major impediment to circulation growth.

The Bureau needs to encourage more publications to voluntarily enroll themselves as its members in order to disseminate complete data on certified circulation figures of publisher members.

Accordingly, after considerable discussion, Council decided to frame a fresh set of guidelines for certification of circulation figures applicable to all newspaper publisher members **w.e.f. audit period January-June 2008**. This new criteria is fundamentally based on important aspects of cover price, trade terms to the distribution trade, pagination level and value in waste.

Accordingly, circulation figures which meets the following qualifying criteria would be certified by the Bureau as "qualifying sales" under '**Part A**' of the ABC certificate of circulation.

"For each issue on a daily basis the net sale price to the dealer (first point of sale) at any trade margin to be higher than the *net realisation rate (NRR) with a provision to remove "excess circulation" for such issues where **net sale price to the dealer at any trade margin offered is lower than the *net realisation rate (NRR)".

The same should also be compliant on a weekly average basis for all issues of the week taken together.

(*Net Realisation Rate (NRR) is the term used for value of newspaper in waste computed on the basis of waste rate per kg. as fixed by the Council from time to time).

(**Net sale price to the dealer is the net price at which a newspaper is sold to the dealer calculated at cover price of the publication less applicable trade commission, delivery charges or by whatever name called).

The above qualifying criteria will replace the existing criteria of limiting the trade terms to dealers / agents / vendors upto maximum 40% for daily newspapers and 45% for weekly newspapers. The various facets of the new certification criteria and modifications to some of the existing audit guidelines are as under:

Facets of new certification criteria:

❖ **Qualifying Criteria**

“For each issue on a daily basis the net sale price to the dealer (first point of sale) at any trade margin to be higher than the *net realisation rate (NRR) with a provision to remove “excess circulation” for such issues where **net sale price to the dealer at any trade margin offered is lower than the *net realisation rate (NRR)”.

The same should also be compliant on a weekly average basis for all issues of the week taken together.

(*Net Realisation Rate (NRR) is the term used for value of newspaper in waste computed on the basis of waste rate per kg. as fixed by the Council from time to time).

(**Net sale price to the dealer is the cover price of the publication less applicable trade commission, delivery charges or by whatever name called).

❖ **‘Excess circulation’** of non compliant issues will be determined on the basis of comparison with ‘normal circulation’ which would be the average circulation of the immediate previous week or such another week during an audit period when all relevant issues of the week on a daily basis are compliant with the qualifying principle and accordingly the corresponding circulation qualifies for certification.

❖ How “excess circulation” for non compliant issues of the week will be determined?

“Excess circulation” is the **incremental circulation** for any non complaint issue as compared to the average circulation of the immediate previous week or such another week during an audit period where all relevant issues are compliant with the qualifying criteria and the corresponding circulation qualifies for certification.

Therefore, it is necessary that there is **at least one week** in an audit period when all issues on each day of the week are compliant with the qualifying criteria.

- ❖ What treatment will be given if, during an audit period there is no such week where all issues of the week are independently compliant with the qualifying criteria?

Under such circumstances, the benefit of reducing only the excess circulation will not be available. The entire circulation of all non compliant issues will not be shown as 'Qualifying Sales' in 'Part A' of the Certificate. However, such copies will be shown in 'Part B' as 'Non – Qualifying Sales'. (All publishing day(s) during an audit period will however be reckoned for average calculations of qualifying and non qualifying sales.)

- ❖ If for a given week, the qualifying principle is not complied with on a weekly average basis, what treatment will be given to non compliant issues during such a week?

Considering the principle of compliance with the new qualifying criteria, if on an average basis, for any given week, the criteria is not complied with, then the benefit of reducing only "excess circulation" for non compliant issues will be denied and **entire circulation** of all non compliant issues during such a week will not be recognized as "qualifying sales" under 'Part A'. This will however be shown under 'Part B' as "non-qualifying sales". (All publishing day(s) during an audit period will however be reckoned for average calculations of qualifying and non qualifying sales.)

II) **Applicability to weekly newspapers:**

New qualifying criteria for certification as referred to above will also apply to all weekly newspapers.

In respect of a weekly newspaper, every individual issue will be required to be compliant with the new qualifying criteria. Should a particular weekly issue be non-compliant on any publishing day, the "excess circulation" will be removed with reference to the nearest compliant day or any one compliant day during an audit period. (excess circulation over the nearest compliant day will be shown under 'Part B' of the certificate as "Non-Qualifying Sales").

III) **Net Realisation Rate (NRR):**

Net Realisation Rate (NRR) will be the term used for value of newspaper in waste computed on the basis of waste rate per kg. as fixed by the Council from time to time.

Based on the retail waste rates obtained from various zones and considering the average rate throughout different zones, Council has adopted the following rates per Kg for the **audit period January-June 2008 as the Net Realisation Rate (NRR)**.

➤ Western Zone	NRR for the audit period January-June 2008
In the states of :	
Chhattisgarh, Dadra & Nagar Haveli, Daman & Diu, Goa, Gujarat, Maharashtra, Madhya Pradesh	Rs. 5.00
➤ Eastern Zone	
Andamans & Nicobar Islands, Army Post Office, Arunachal Pradesh, Assam, Bihar, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Sikkim, Tripura, West Bengal	Rs. 5.00
➤ Northern Zone	
Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh, Uttaranchal	Rs. 5.00
➤ Southern Zone	
Andhra Pradesh, Karnataka, Kerala, Lakshadweep, Pondicherry, Tamil Nadu	Rs. 5.00

IV) Trade terms to agents:

Restriction on trade terms to dealers / agents / vendors or by whatever name called as a qualifying parameter stands withdrawn w.e.f. audit period January-June 2008. If an additional incentive / benefit is paid to the trade which is directly connected with selling / distribution of copies, then the same shall be added to arrive at the gross trade terms.

An amount not connected with distribution of copies paid / reimbursed to the trade for which supporting is available may not be considered as part of the trade term. The trade term should be calculated on the cover price of the publication.

Actual cost of transporting publications from the printing location to the distribution centres as per contractual arrangements made by the publisher will not form part of the delivery charges or trade term.

V) Exemption for subscription offers (single & joint):

Subscription offers / sales are exempted from the purview of the new qualifying criteria. This is for the reason that the details of the subscribers are available for verification by auditors and the subscription amount is received from the subscriber in advance thus providing a complete audit trail.

The present audit guidelines which require publishers to retain at least 10% of the cover price of the publication in case of subscription offers (single and joint) will however continue to apply i.e. publisher can offer discount / gift to the subscriber together with delivery charges to the distribution trade upto 90% of the cover price of the publication. (ref Bureau's notification No.741 dated 2nd February, 2005 and Notification No.770 dated 29th August, 2006).

VI) Combo offers (non subscription):

In case of combo offers (non subscription) the new qualifying criteria will be applicable to both the publications under the combo offer taken together at the prescribed combo price. All other requirements excluding maximum limits on trade terms (Para 3) referred to in Notification No.769 dated 29th August, 2006 would however continue to apply.

VII) Institutional Subscription Sales:

Council has decided to provide for a new category of "**Institutional Subscription Sales**" for certification upto 5% of the total qualifying sales. This will be in addition to the present limit of 10% of the Institutional Sales for non-subscription copies.

The audit guidelines for subscription copies (single and joint) as in force will also apply to all institutional subscription copies. All applicable documentation should be available with the publisher to satisfy the auditors on the number of subscription copies sold to the institution.

VIII) Incentive schemes for readers:

Publishers may offer gifts / incentives to readers as prescribed in Bureau's Notification No.771 dated 29th August, 2006 and further clarifications provided vide Bureau's circular dated 10th August, 2007.

The following additional points may also be noted:

- The provision of removing excess circulation would be applicable on such copies which offer only one off gifts to readers and would not be applicable in case of gifts offered by a publisher against a publication being purchased for a **specific period** on newsstand sales value of which is more than 50% of the cover price. Such a scheme (gift valued at more than 50% of the cover price) would accordingly not qualify for certification and all copies involved in the said scheme would be shown as non-qualifying sales. (Part B of the ABC Certificate of Circulation).
- All incentive schemes to readers to be framed in such a manner such that the name of the beneficiary / reader is identifiable. An audit trail in the form of a reader booking form with the name, address and other contact details of the reader should be made available for auditor's verification along with a record of gifts purchased and distributed.

- Publishers should ensure that the reader incentive schemes are not taken advantage of by the trade in order to increase their earnings which would result in reduction of the net price at which the trade purchases a copy from the publisher.
- The word “gift” would specifically exclude all cash gifts or cash equivalents (gift cheques etc) to subscribers / regular readers from the purview of gifts to subscribers / regular readers. Gifts offered to subscribers / regular readers only in kind would be considered for the purpose (ref. Bureau’s circular dated 10th August, 2007).
- All copies involved in a scheme offering its readers cash gifts / cash equivalent / cash discounts etc. will be shown as “Non Qualifying Sales” under ‘Part B’ of the ABC Certificate of circulation.

IX) Principal Agent:

The definition of Principal Agent stands revised:

An agent who effects at least 20% of the total sales or minimum 25,000 copies whichever is higher per printing centre / edition will be recognized and termed as a “principal agent”. The “principal agent” will continue to maintain and provide for auditors verification all books and records as earlier notified and detailed in “The Guide to ABC Audit”.

X) Bureau’s Code for Publicity:

The word ‘**circulation**’ pursuant to application of new certification criteria w.e.f. 1st January, 2008 shall always mean “qualifying sales” shown under **Part A** of the ABC Certificate of Circulation for an entire audit period as certified by the Bureau.

Circulation figures shown under **Part B** of the ABC Certificate of Circulation are intended only for information purpose and therefore should not be used, added with any other circulation figures for any publicity / promotion campaigns in any form whatsoever.

XI) Issuance of an ABC Certificate of Circulation:

All newspaper publisher members would be issued an ABC Certificate of circulation duly specifying copies under qualifying sales (PART A) and/or non qualifying sales (PART B) as the case may be, subject to atleast 50% of the total copies being sold at the prescribed price i.e. atleast 50% of the total sales should be paid circulation at the prescribed price.

Accordingly, Para ‘A’ of Bureau’s Notification No.610; dated 15th May, 1995 pertaining to Bureau’s certification policy would stand amended.

XII) Proforma of an ABC Certificate of circulation:

A proforma of the new ABC Certificate of circulation to be issued to all newspaper publisher members w.e.f. audit period January-June 2008 is attached for your immediate reference.

Part A of the certificate provides for qualifying sales i.e. sale of all copies which meets the new qualifying criteria and is obtained after compliance with all other Bureau's existing audit guidelines.

Part B of the certificate will provide for details of "non qualifying sales" for **information purpose** only which will include all such copies which do not meet the new qualifying criteria and / or are not in compliance with one / many of the Bureau's audit guidelines.

All other Bureau's audit guidelines as in force except those mentioned above would continue to be applicable to all newspaper publisher members in order to avail of an ABC certificate of circulation.

Sd/-
Secretary General

- Encl: 1) Prototype of an ABC certificate of circulation
2) Examples for ascertaining excess circulation
3) Proforma of daily record keeping for ascertaining compliant and/or non compliant issues

Audit Bureau of Circulations

Wakefield House, Sprott Road, Ballard Estate, Mumbai - 400 001, INDIA.



Certificate Number

ABC Certificate of : _____
Address : _____
Published / Estd : _____
Language : _____ **Frequency** _____
Cover price : _____
Auditors : _____
Audit Period : _____ to _____

Month / Year	No. of Publishing Days	Total Qualifying Circulation	Average Qualifying Circulation	Previous Periods
Total				

Qualifying sales at above the fixed Net realisation rate and in compliance with all audit guidelines :

A) <u>Non subscription sales</u>	Average Single copies	Average Combo copies	Average Copies
◆ 0 to 10 % above the NRR*	_____	_____	_____
◆ 10.1 % to 20 % above the NRR*	_____	_____	_____
◆ Over 20 % above the NRR*	_____	_____	_____
* Net Realisation Rate (NRR) is the term used for value per issue of newspaper in waste based on predetermined waste rate per kg. fixed by the Council			
B) <u>Subscription Sales</u>		Average Copies	Average Copies
◆ Subscription copy sales (Single)		_____	
◆ Subscription copy sales (Joint)		_____	
◆ Institutional Subscription Sales		_____	_____
C) <u>Institutional Sales</u>			_____

Total Qualifying Sales			_____

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Dated :

Audit Bureau of Circulations

Wakefield House, Sprott Road, Ballard Estate, Mumbai - 400 001, INDIA.



Certificate Number

ABC Certificate of _____

PART A - Qualifying Sales

	Average Copies	Average Copies
■ Non Subscription copies (single) sold without any incentive to the reader at full cover price		=====
■ Non Subscription copies (single) sold under any scheme to readers:-		=====
<ul style="list-style-type: none"> ◆ Gifts/incentives to readers upto 25% of the cover price ◆ Gifts/incentives to readers upto 50% of the cover price 	_____ _____	=====
■ Combo Copy Sales		=====
<ul style="list-style-type: none"> ◆ Combo alongwith _____ (publication) at _____ combo price ◆ Combo alongwith _____ (publication) at _____ combo price 		=====
■ Subscription Copy Sales (Single, Joint, Institutional)		=====
<ul style="list-style-type: none"> ◆ At NIL (inducement) on the cover price ◆ Upto 30% inducement on the cover price ◆ Upto 70% inducement on the cover price <p>(inducement includes discount on cover price, gifts etc. offered to subscribers as well as delivery charges to the trade)</p>	_____ _____ _____	=====
■ Institutional Sales		=====
<ul style="list-style-type: none"> ◆ Airlines ◆ Body Corporates ◆ Educational Institutions ◆ Hotels ◆ Libraries ◆ Others (To Specify) 	_____ _____ _____ _____ _____ _____	=====

Additional Information

■ Non Subscription copies (single and combo) at full cover / combo price		=====
<ul style="list-style-type: none"> ◆ Upto 40% trade discount ◆ Over 40 % trade discount 	_____ _____	=====
■ Subscription categories		=====
<ul style="list-style-type: none"> ◆ General ◆ School ◆ Institutional ◆ Others 	_____ _____ _____ _____	=====
■ Break up total qualifying sales by cover price individually for all editions / printing centre		=====
<ul style="list-style-type: none"> ◆ @Rs.....average copies ◆ @Rs.....average copies ◆ @Rs.....average copies 	_____ _____ _____	=====

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Audit Bureau of Circulations

Wakefield House, Spratt Road, Ballard Estate, Mumbai - 400 001, INDIA.



Certificate Number

ABC Certificate of _____

PART B - Non Qualifying Sales

For information only

Copies not qualifying for certification (as sold below the raddi rate) and / or sales not meeting the prescribed audit guidelines

(Circulation figures for information only, Not to be used for any publicity / promotion)

A Non Qualifying Sales

	Average Copies	Average Copies
◆ 0 to 10 % below the NRR	_____	
◆ 10.1 % to 20 % below the NRR	_____	
◆ Above 20 % below the NRR	_____	_____
Total Non Qualifying Sales		

B Summary of Non Qualifying Sales (separately for all editions and/or printing centres)

◆ Single copy sales	_____	
◆ Subscription copy sales (Single)	_____	
◆ Subscription copy sales (Joint)	_____	
◆ Institutional Subscription Sales	_____	
◆ Institutional Sales	_____	
◆ Combo copy sales	_____	_____
◆ Free & Complimentary copies		

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AUDIT BUREAU OF CIRCULATIONS

EXAMPLE 3

Encl: 2

iii) Where some issues in a week are non compliant and weekly average is also non compliant

1	2	3	4	5	6	7	8	9
Days	Cover price	No. of Copies	No. of Pages	Trade Terms to Dealer on cover price	Trade Terms to Dealer per copy	Net Price to Dealer per copy	Net Realisation Rate (NRR) @Rs.5.00 per Kg	Whether compliant with the new criteria (Yes / No)
				%	Rs.		Rs.	
1	1.00	700	32	43	0.43	0.57	0.66	No
2	1.50	300	36	45	0.68	0.83	0.74	Yes
3	1.75	600	48	46	0.81	0.95	0.99	No
4	2.00	800	48	50	1.00	1.00	0.99	Yes
5	2.50	900	52	55	1.38	1.13	1.07	Yes
6	3.00	1200	64	58	1.74	1.26	1.32	No
7	3.50	1000	68	60	2.10	1.40	1.40	Yes
Weekly Aggregate		5500				7.14	7.17	No

Non compliant issues	Non compliant copies
Day	
1	700
3	600
6	1200
Total	2500

	Copies to be shown under PART A	Copies to be shown under PART B
Day	Copies	Copies
1		700
2	300	
3		600
4	800	
5	900	
6		1200
7	1000	

(Since weekly NRR of Rs.7.17 (col.8) is higher than the weekly Net Price to the dealer (col.7) i.e. Rs.7.14 all compliant issues on day 2,4,5 & 7 of the week would be considered for certification under 'Part A' of the certificate of circulation as qualifying sales.

However, for all non compliant issues i.e. day 1, 3 and 6 **entire circulation** would be considered for certification under 'Part B' of the ABC certificate of circulation as **non qualifying sales** since on a weekly basis the new criteria is not complied with.)

AUDIT BUREAU OF CIRCULATIONS

Encl: 3

**Details to be maintained by all newspaper publisher members separately for all print runs -
w.e.f. audit period January-June 2008**

Date		Total No. of pages including all supplements / add-ons etc. for the respective print runs	Weight of the newspaper including all supplements / add-ons etc. in gms. for respective print runs	NRR calculated at Rs. 5/- per kg.	Net price to the dealer at the highest trade term for respective print runs
02.01.08					
Print run	1 2 3 4 5 6 7 8				

* Net Realisation Rate (NRR) is the term used for value per issue of the newspaper in waste