



# Audit Bureau Of Circulations

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To,

**Magazine Publisher Members**

**Notification No. 856**

## **Amendments to audit guidelines for Magazine Publishers**

Bureau's Council of Management, at its meeting held recently, decided to amend certain audit guidelines for Magazine publisher members with effect from **1<sup>st</sup> July 2019**.

All other guidelines not mentioned hereunder would continue to remain the same.

<b>MAGAZINES</b>			
<b>Sr. No.</b>	<b>Particulars</b>	<b>Existing guidelines</b>	<b>Guidelines with effect from 1<sup>st</sup> July 2019</b>
1)	Trade terms for single copy sales	Commission and allowances etc. mutually agreed to between a publisher and the distributing trade and paid continuously and consistently. <b>Copies sold upto maximum trade term of 65% of the cover price</b> would be included as Net Paid Sales subject to compliance with all other audit guidelines.  Other provisions of earlier paras 6.1, 6.2 and 6.3 (Newspapers) would also apply to magazines.	Concept of NRR as prevalent for newspapers to be made applicable to magazines  (details attached)

2)	Waste Rate applicable for Newspapers and Magazines for the audit period July-December 2019	–	Rs. 12.00 per kg.	Western, Northern and Eastern Zones
			Rs. 11.00 per kg.	Southern Zone
3)	a) Bulk Sales / Institutional Sales	<p>Copies of magazines which are either sold directly by the publisher and/or his distributing trade to organisations not connected with newspaper distribution trade provided bonafides of the organisation(s) involved in Institutional Sales are established to the satisfaction of the auditors (Unless Auditors/Bureau having any evidence to the contrary).</p> <p>Maximum limit for institutional sales would be <b>25% of the total net paid sales.</b></p>	<b>Bulk sales limit increased upto 30% of qualifying sales.</b>	
	b) Trade term on Institutional Sales	<p>Copies could be sold directly to the institutions at cover price less discount upto maximum <b>65% of the cover price</b> and delivered directly by the publisher to the institutions in bulk other than thru the trade.</p> <p>If magazines are supplied to institutions in bulk through the trade then maximum trade commission paid to the distribution trade should <b>not exceed 65% of the cover price.</b></p>	<b>NRR concept to be made applicable as prevalent for newspapers</b>	
4)	Institutional subscription sales	A category of institutional subscription sales introduced wherein institutions can subscribe in bulk for magazines. Such institutional subscription scheme will qualify for	<b>Institutional subscription sales limit increased to 10% of Qualifying Sales.</b>	

		<p>certification if the publisher retains atleast 10% of the cover price of the magazine after offering discounts / gifts / incurring service provider's charges, if any.</p> <p><b><i>(valuation of gifts as under)</i></b></p> <p>Institutions availing the institutional subscription scheme will be required to maintain a list of the recipients of the magazine including full particulars of the recipient namely, name, address, telephone number etc. These details to be made available to the publisher so that the same can be verified by the auditors.</p> <p>The upper limit for overall institutional subscription sales is <b>5% of the total Net Paid Sales</b></p>	
5)	Subscription copies – service charges for online payments	<p><b>Distribution / delivery charges on subscription copies:</b></p> <p>i) If copies are delivered through trade, then maximum delivery charges payable to the trade caped at <b>65% of the cover price.</b></p> <p>ii) Delivery charges paid to the trade not to be included in the overall 90% limit on the cover price.</p> <p>iii) Actual delivery charges incurred through courier / postage not to be included in the overall limit of 90% of the cover price.</p> <p>iv) Recognising the various means available to a magazine publisher due to technological innovations, request</p>	<p>Service charges on digital payments to be outside the purview for calculating 10% retention by publisher.</p> <p>Subscriptions can be sought online provided details of subscriber viz. name, address, email, contact No. is available with proof of advance payment.</p>

		<p>received for subscriptions either through SMS, internet, email, telephone or through any other electronic media will be accepted for the purpose of audit.</p> <p>Additionally, publisher may be required to pay service charges to the service provider for subscriptions booked thru internet and receive the <b>net amount</b> from the service provider i.e. subscription price less services charges as may be payable to the service provider.</p> <p><b>The service charges as paid to be included in the overall 90% limit for subscription copies.</b></p> <p>Discounts / gifts / incentives / service charges paid to a service provider for subscriptions booked thru internet should not exceed 90% of the cover price of the publication. <i>(valuation of gifts as under)</i></p> <p>Full particulars of a subscriber namely, name, address, telephone number, period of subscription etc. should be obtained and available with the publisher for scrutiny by auditors.</p>	
6)	Valuation of Gifts	<p>In case of customised product the value is taken as per the invoice of the customised product plus 15% mark up charges.</p> <p>In case of branded product – the MRP value</p>	<p>a) For customized product in case of Invoice where GST is charged, then the total value of the invoice (including GST) is to be considered).</p> <p style="text-align: center;">OR</p> <p>a) In case of non GST invoice the value of the invoice plus 15% mark up to be</p>

			<p>considered.</p> <p>b) In case of a branded product having a MRP, then value to be taken as per MRP.</p>
		<p><b>Announced value of the gift:</b></p> <p>If the perceived value of the gift is announced at the time of launching the gift scheme, then the valuation of the gift offered to be done as under:</p> <p>In case of branded product:</p> <ul style="list-style-type: none"> <li>• MRP or announced value whichever is higher</li> </ul> <p>In case of customised product:</p> <ul style="list-style-type: none"> <li>• Cost to the publisher + 15% mark up or announced value whichever is higher</li> </ul> <p>The above valuation guidelines would also apply in case of barter arrangements</p>	<p>In case of branded product:</p> <ul style="list-style-type: none"> <li>• MRP or announced value whichever is higher</li> </ul> <p>In case of customised product:</p> <p>i) Cost to publisher would be full Invoice value (including GST) where GST is charged.</p> <p>ii) In case of non GST Invoice, then the value of invoice plus 15% mark up.</p> <p>The above would also apply in case of barter arrangements.</p>
7)	Cash discount / cash gifts	All cash equivalent gifts including discount coupons of various stores offered to the readers are not permitted.	<p>Any cash or cash equivalent gifts offered to the readers in any form are not permitted.</p> <p>However, discount coupons of various stores offered to the readers would be permitted</p>
		a) 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	a) 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 will be considered for the purpose.

		<p>readers only in kind will be considered for the purpose.</p> <p>b) 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.</p>	<p>b) 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.</p>
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All the above amendments to be applicable prospectively **w.e.f. 1<sup>st</sup> July 2019.**

Secretary General

## 2. CONCEPT OF “NET REALISATION RATE” – NRR:

### 2.1 Net Realisation Rate (NRR):

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

### 2.2 Qualifying Sales:

Circulation figure which meets the following criteria is treated as “**qualifying sales**” and certified under ‘**Part A**’ of the ABC certificate of circulation.

#### **Newspaper (Dailies & Weeklies)**

“For each issue of a particular print run on a daily basis the net sale price to the dealer (first point of sale) at any trade margin should be higher than the net realisation rate (NRR) with a provision to remove “excess circulation” of non compliant issue of a particular print run where \*\*net sale price to the dealer at any trade margin offered is equal to OR lower than the net realisation rate (NRR)” subject to such non compliant issue of a particular print run being compliant on a weekly average basis.

There should atleast be one week in an audit period when all issues on each day of the week are compliant with the qualifying criteria.

(\*\*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).

#### **Magazines (Weekly, Fortnightly, Monthly & Annual)**

“For each issue the net sale price to the dealer (first point of sale) at any trade margin should be higher than the net realisation rate (NRR) with a provision to remove “excess circulation” of non compliant issue where \*\*net sale price to the dealer at any trade margin offered is equal to OR lower than the net realisation rate (NRR)”

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

### 2.3 Normal Circulation:

#### **Newspaper (Dailies & Weeklies)**

Normal circulation is the average circulation of a particular print run of any week during an audit period when **all** relevant issues of the week are compliant with the qualifying principle and accordingly the corresponding circulation (copies) of the print run during the week qualifies for certification.

#### **Magazines (Weekly, Fortnightly, Monthly & Annual)**

Normal circulation is the circulation when a particular issue is compliant with the principle of NRR qualifying criteria.

## 2.4 Excess Circulation:

### Newspaper (Dailies & Weeklies)

“**Excess circulation**” is the **incremental circulation** of any non compliant issue (provided it is compliant on a weekly average basis) as compared with the circulation of the same print run of a compliant immediate previous same day of the week, provided that the particular immediate previous week was compliant on a weekly average basis as per the prescribed NRR audit guidelines.

However, if the same print run of same day of immediate previous week was a non compliant issue under the NRR guidelines or the immediate previous week was a non compliant week on a weekly average basis, then the circulation may be compared with the immediate previous (first available) compliant same print run, same day of the first available previous week, provided that particular week was compliant on a weekly average basis with the NRR guidelines during the immediate previous six months.

If no compliant issue of same day, same print run is available in the immediate previous six months then the benefit of reducing “excess circulation” of non compliant issue will be denied and the entire circulation of non compliant issue(s) would not be recognized as qualifying sales.

**There should atleast be one week in an audit period when all issues on each day of the week are compliant with the qualifying criteria.**

If any particular week is non compliant on a weekly average basis then removing of excess circulation for the non compliant issue / print run in that particular week will be denied and the entire circulation of non compliant issue(s) would not be considered for certification as qualifying sales.

### Magazines (Weekly, Fortnightly, Monthly & Annual)

“**Excess Circulation**” is the incremental circulation of any non compliant issue as compared with the circulation of a compliant immediate previous issue as per NRR guidelines.

However if the immediate previous issue also was a non compliant issue under NRR guidelines then the circulation may be compared with the immediate previous (first available) compliant issue as per NRR guidelines during the immediate previous six months.

## 2.5 Treatment of non-compliant week:

### Newspaper (Dailies & Weeklies)

If any particular week is non compliant on a weekly average basis then removing of excess circulation for the non compliant issue / print run in that particular week will be denied and the entire circulation of non compliant issue(s) / print run would not be considered for certification as qualifying sales.



If no compliant issue of same day, same print run is available in the immediate previous six months then the benefit of reducing “excess circulation” of non compliant issue will be denied and the entire circulation of non compliant issue(s) would NOT be recognized as qualifying sales.

The non compliant circulation (copies) would however be shown under `Part B' as “non-qualifying sales”. (All publishing day(s) during an audit period will however be reckoned for calculating average qualifying sales and non qualifying sales.)

## 2.6 Exemption for subscription copies from the concept of NRR:

### Newspaper & Magazines

All copies supplied to a reader through subscription offers are exempted from the purview of the concept of NRR since full details of a subscriber are available with the publisher which can be verified through the process of audit. Subscription amount is also collected by the publisher in advance thus providing a complete audit trail.

A publisher can offer discount / gift to the subscriber together with delivery charges to the distribution trade upto 90% of the cover price of a publication.  
*(valuation of gifts as per para 1.27)*

## 2.7 Weekly newspapers & Magazines:

Qualifying criteria for certification will also apply to all weekly newspapers & magazines.

In respect of a weekly newspaper and/or magazine, every individual print run will be required to be compliant with the qualifying criteria. Should a particular print run be non-compliant on any publishing day, the “excess circulation” will be removed with reference to the same print run of first available previous week during the immediate previous six months [subject to provisions of excess circulation as applicable for daily newspapers]

## 2.8 Facets of certification criteria:

Q(i) **How “excess circulation” for non compliant issue of the week will be determined?**

### Newspaper (Dailies & Weeklies)

A(i) “Excess circulation” is the **incremental circulation** for any non complaint print run (provided it is compliant on a weekly average basis) as compared to the average circulation of the same print run of a compliant immediate previous same day of the week provided that particular immediate previous week was fully compliant on a weekly average basis as per the prescribed NRR audit guidelines.

There should atleast be one week in an audit period when all issues on each day of the week are fully compliant with the qualifying criteria.

**Magazines (Weekly, Fortnightly, Monthly & Annual)**

**“Excess Circulation”** is the incremental circulation of any non compliant issue as compared with the circulation of a compliant immediate previous issue as per NRR guidelines.

However if the immediate previous issue also was a non compliant issue under NRR guidelines then the circulation may be compared with the immediate previous (first available) compliant issue as per NRR guidelines during the immediate previous six months.

- Q(ii) **What treatment will be given if there is no such week where all issues of the week are independently compliant with the qualifying criteria?**

**Newspaper (Dailies & Weeklies) & Magazines**

- A(ii) 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.)
- Q(iii) **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?**

**Newspaper (Dailies & Weeklies)**

- A(iii) If any particular week is non compliant on a weekly average basis then removing of excess circulation for the non compliant issue in that particular week will be denied and the entire circulation of non compliant issue(s) would not be considered for certification as qualifying sales [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.)