



# Audit Bureau of Circulations

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**To ALL PUBLISHER MEMBERS AND AUDITORS**

**NOTIFICATION NO. 747**

## **New Audit Guidelines for Magazine Publishers**

Bureau's Audit Guidelines in general were amended effective 1<sup>st</sup> July 2004 and notified to all Members vide Bureau's Notification No. 733 dated 25<sup>th</sup> June, 2004.

The Magazine Publishers had however expressed their reservations that the common audit guidelines prescribed by the Bureau for both newspapers and magazines were not in line with the market realities specially for magazines where there was very little scope of magazines being sold in raddi instead of to the readers. They had stated that the business model of magazines was different as compared to the business model of daily newspapers. Accordingly, magazine publishers had suggested that specific audit guidelines exclusively for magazine publishers be framed by the Bureau.

In order to consider the suggestions received from magazine publishers, a joint meeting was convened by the Bureau wherein Magazine Publishers, Media experts, Senior Bureau Auditors and Council Members were present.

It was accepted that the business model of magazines were indeed different to some extent from the daily newspapers. Accordingly, it was decided that an exclusive set of Bureau's audit guidelines with respect to magazine publishers were required to be put in place.

Various suggestions made at the Joint Meeting were considered by the Bureau's Council of Management in light of the Bureau's existing audit guidelines.

Bureau's Audit Guidelines as considered and amended by the Bureau's Council of Management exclusively for Magazine Publishers (excluding daily and weekly newspapers) are notified for information of all Publisher Members as enclosed.

These new guidelines will be effective from 1<sup>st</sup> July 2005 covering the audit period July-December 2005 and thereafter.

Sd/-  
Secretary General

Encl:

(1) **Distribution / Delivery Charges and/or Trade Terms to agents for distribution of Magazines**

Bureau's present guidelines

At present, on subscription sales, trade commission/ delivery charges payable is to be worked out as under:

- i) on the basis of **cover price** from 1<sup>st</sup> July, 2004 upto 30<sup>th</sup> September, 2004
- ii) on the basis of **subscription price** w.e.f. 1<sup>st</sup> October, 2004

subject to the prescribed maximum limits (40% in case of dailies and 45% in case of weeklies/magazines)

**Delivery charges:** Actual cost as may be incurred by a Publisher on postage, courier, subject to the above maximum limits.

Discount/gifts/incentives including the trade terms offered and/or delivery charges incurred should be within the overall limit of 90% of the cover price of a Publication.

Delivery charges to also include all expenses incurred on delivery of a Publication to the Subscriber viz. postage, courier, handling charges or by any other name. Publisher to maintain adequate records as a proof of actual delivery charges incurred for audit purpose.

**NEW AUDIT GUIDELINES AS PER COUNCIL'S DECISION**

Actual amount spent by a Publisher for distribution of a Magazine through **courier or post** to be permitted at actuals **without** including the same in the overall 90% limit in case of subscription copies for Magazines.

**Delivery / Distribution charges** or by any other name called as actually incurred by a Publisher for delivering the magazine subscription copies to the subscribers to be allowed **at actuals** subject to the same having not been delivered directly or indirectly through the distribution trade. The publisher should ensure availability of adequate financial records in the form of receipts, bills, etc. for verification and satisfaction of Auditors.

Regarding delivery charges for single copy sales the same will also be permitted at **actuals** subject to the above condition. However, if single copy sales are serviced to customers through the distribution trade then the maximum amount that could be paid to the trade would be **45% of the cover price of a magazine**. These delivery charges would also not be included in the overall 90% limit in case of subscription copies for magazines.

## 2) INSTITUTIONAL SALES

### Bureau's present guidelines

W.e.f. 1<sup>st</sup> July, 2004 Institutional Sales in bulk upto 10% of Net Paid Sales is allowed to be included for certification as Net Paid Sales.

### **NEW AUDIT GUIDELINES AS PER COUNCIL'S DECISION**

Recognising that in case of magazines there is an extended scope for Institutional Bulk Sale, the maximum limit for Institutional Sale is **increased from 10% to 20% of total Net Paid Sales.**

Magazines may also be sold directly to the respective Institutions at cover price less discount upto 45% of the cover price and delivered by the publisher at the individual addresses provided by the Institution. In cases where supplies to Institutions is catered through the trade, then the trade may be remunerated for such institutional copies upto maximum 45% of the cover price of the Magazine.

## 3) WRITTEN INDENTS / ORDERS FROM THE AGENTS

### Bureau's present guidelines

Bureau's rules provides that to facilitate an effective audit, either of the following documentary evidence should be procured and made available for audit:

- i) Advance written indents/ orders from agents in support of copies supplied to them shall be maintained and verified by auditors.
- ii) Where advance indents are not available, publishers shall obtain subsequent confirmations of supplies made to agents.
- iii) In the absence of both, publishers shall obtain monthly statements from the agents showing number of copies received and sold by them and those remaining unsold with them.

Alternatively, publishers may send monthly letters addressed to agents in duplicate indicating the copies supplied to them, copies remaining unsold, payments received from them and obtain duplicate letters duly signed by agents for record and verification by the auditors.

#### **NEW AUDIT GUIDELINES AS PER COUNCIL'S DECISION**

Confirmations from major agents upto 80% to 90% supplies made to agents if available, with the Publisher, would be an acceptable audit evidence for a successful audit. Confirmations from agents whose individual supply is during the audit period, if not available would not be considered as a major non adherence to the Bureau's Audit Guidelines. However, Auditors to verify the system available with the Publisher for obtaining confirmations from the agents, payments received from the agents, receipts issued to the agents and other evidences in order to satisfy themselves as regards to authenticity of confirmations available with the Publisher.

#### **4) BANKING OF CASH COLLECTIONS**

##### Bureau's present audit guidelines:

Cash collected from all sources is required to be banked intact by a Publisher on the next working day.

#### **NEW AUDIT GUIDELINES AS PER COUNCIL'S DECISION**

Magazine Publisher Members who do not generate any cash receipts for sale of copies through any means may be exempt from the above provision subject to a condition that such Publisher should also not have any cash payments / cash reimbursements to agents.

#### **5) SUBSCRIPTION SALES / MAINTAINANCE OF RECORDS:**

##### Bureau's present guidelines

Following procedure is prescribed by the Bureau for subscription sales:

- i) A subscriber needs to fill up the subscription form with full details viz. Name, address and other particulars duly signed which should be sent to the Publishers office alongwith the required remittance for the given period. The Subscription amount needs to be received by the Publisher in **advance** or within 2 months.
- ii) Publisher to maintain subscription records for all subscribers together with the details of the copies despatched to them from issue to issue.

#### **NEW AUDIT GUIDELINES AS PER COUNCIL'S DECISION**

Recognising the various means available to a publisher due to technological innovations, request received for subscriptions either through SMS, internet, email, telephone or through any other electronic media will be accepted for the

purpose of audit.

In order to facilitate an audit, the Publisher is required to **maintain a data bank wherein** the details of the subscriber i.e. his full postal address, telephone number, email address and other details pertaining to the mode of payment of the subscription amount is available for auditors verification. Maintenance of full contact details including telephone number of a subscriber is mandatory.

Despatch records stating the various modes of despatch to all subscribers should be available in order to satisfy the auditors that all subscriber copies have been despatched regularly.

Payment for subscriptions booked through electronic medium for which no subscription forms are available should normally be received by the Publisher only by cheque, demand draft, credit / debit card or through any other auditable means excluding cash. In case of cash payments, it would be mandatory for a subscriber to enclose a supporting letter. Auditors to have complete access to subscribers data for their verification.

Subscription amount should be received in advance or within two months as per the existing rules.

## 6) **PRINTING AT OUTSIDE PRESS**

### Bureau's present guidelines

Bureau's Auditors are authorised to carry out the check on third party printing presses as per the schedule of printing details provided by the Publisher to verify the actual printing of magazine and records maintained for printing. If Bureau Auditors are unable to verify the actual printing of a magazine on their first visit due to change in printing schedule, a second visit by the Bureau auditors is undertaken to verify the actual printing and necessary procedural records..

### **NEW AUDIT GUIDELINES AS PER COUNCIL'S DECISION**

Third party printing presses where magazines are printed are required to maintain and produce for Bureau Auditors verification, production records pertaining to a Member Publisher. If no printing activity is in progress at the time of Bureau Auditor's visit to a third party printing press then at least an "intent to publish" the magazine for the respective issue should be made available to the Bureau Auditor e.g. printing plates, part pages printed, print order, cover page, required newsprint, or any other verifiable evidence which the Bureau Auditors could rely on which shows the "intent of the publisher" to print the relevant issue of the magazine and the number of copies to be printed.

**(7) ADDITIONAL INFORMATION ON THE ABC CERTIFICATE**

**NEW AUDIT GUIDELINES AS PER COUNCIL'S DECISION**

- The concept of Net Paid Sales remains protected and the payment to the trade in respect of Magazines **is capped at 45% of the cover price for both single copy sales and subscription sales.**

However, additional information pertaining to copies sold over and above 45% of the cover price will also be mentioned on the ABC Certificate under three slabs i.e.

- 45.1% to 60% trade terms,
  - 60.1% to 75% trade terms,
  - 75.1% and above.
- Additional details will be provided on the ABC Certificate with respect to subscription copies as under:
    - ..... number of copies supplied to subscribers upto 30% discount on the cover price,
    - ..... number of copies supplied to subscribers upto 60% discount on the cover price,
    - ..... number of copies supplied to subscribers upto 90% discount on the cover price.  
(discount includes value of gifts to the subscriber)
  - Further details will be provided for free and complementary copies and copies not included as Net Paid Sales for any reason.