



**CMA (Dr.) Dhananjay V. Joshi**

*Former President and*

*Chairman, Technical Cell (Cost Audit, Compliance & Others) of the Institute*

**APPEAL TO MEMBERS**

Dear Professional Colleagues,

A meeting of Technical Cell (Cost Audit, Compliance & Others) was held in Bengaluru on 24<sup>th</sup> and 25<sup>th</sup> October, 2018. It was decided that the Institute should document the suggestions given by our Cost Accountants whether working in industry or in practice, to their companies or clients **subject to maintenance of Cost Records or Cost Audit**. These suggestions must have benefitted the industry. We request our members to provide the same in the format of case study as per the guidelines given below-

1. Name of the Cost Accountant with Membership number, firm name, address and email id and contact number.
2. Photograph with high resolution should be provided by the Cost Accountant.
3. Name of the company to which the case study refers. This is optional and you may or may not give the name of the company. If the name is not provided, it will be called as ABC Company. If the name is provided, it is the responsibility of the concerned member to obtain the consent of the company.
4. Industry/ product /sector/ service to which the company belongs.
5. The write-up is to be given in the following format only
  - Brief Background of the case study (Maximum 200 words)
  - Suggestions given by the Cost Accountant (Maximum 150 words)
  - Benefits derived by the company (Maximum 150 words)
  - Microsoft Word Document Font Type – Arial, Font Size – 11 as attachment.
6. The case study should be forwarded to **CMA Tarun Kumar, Joint Director & Secretary (Technical Cell) on email id – [technicalcell@icmai.in](mailto:technicalcell@icmai.in)**

**7. The last date for submission of the Case Study is 10<sup>th</sup> January 2019**

8. The case studies received will be placed before the screening committee of Technical Cell.
9. A publication of the Case Studies is planned to be released in the forthcoming National Cost Convention of the Institute as Publication of Technical Cell of the Institute.
10. It is presumed that the cost accountant furnishing the case study has given his full consent for publication of the same by the Technical Cell of the Institute. Ensuring the norms of plagiarism will be the responsibility of the member and the Technical Cell will not be responsible for the same.

It is believed that such a published document will enhance the value of Cost Records and Cost Audit mechanism and will also recognize the contribution of CMAs in the growth of Industry and economic development of the country. It will also serve as guidance to the CMAs in identifying the areas of Value Addition through this Mechanism.

**A model case study for the guidance of the members is annexed to this appeal.**

We look forward to your full cooperation in this endeavor of Technical Cell of the Institute.

**CMA (Dr.) Dhananjay V. Joshi**  
21<sup>st</sup> December 2018

**Model Case Study for the Publication of Utility of Cost Audit**

1. **Name of the Cost Accountant with Membership number, firm name, address and email id and contact number.**

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2. **Photograph with high resolution should be provided by the Cost Accountant.**



3. **Name of the Company to which the case study refers. This is optional and you may or may not give the name of the company. If the name is not provided, it will be called as ABC Company. If the name is provided, it is the responsibility of the concerned member to obtain the consent of the company.**

ABC Ltd.

4. **Industry/ product/ sector/ service to which the company belongs.**

Edible Oil – CTA 1507 to 1518

5. **The write-up is to be given in the following format only**

**a. Brief Background of the case study (Maximum 200 words)-**

The company was the manufacturer of “Vanaspti Ghee, Refined oils and Edible Oils”. The process of manufacture of vanaspti ghee involves process of hydrogenation. Hydrogen gas was required as an input in the process of hydrogenation. Chemical formula of water is H<sub>2</sub>O basically means that water contains 2 atoms of Hydrogen and 1 atom of Oxygen. It means two molecules of hydrogen and one molecule of oxygen. Together they make water. The company use to disintegrate water and hydrogen was separated out and used in the process of hydrogenation. The oxygen gas was released in the air. **(words 97)**

**b. Suggestions given by the Cost Accountant (maximum 150 words)**

It was suggested by the Cost Auditors that the oxygen gas which is released in the air can be a product by itself, if it is collected and bottled. This can fetch a large revenue for the company for which only additional cost will be that of bottling plant. The company immediately took the action and carried out technical study, feasibility study and financial projection and it was established that the suggestion from the cost auditor will be a large revenue earning activity for the company. Accordingly, based on the suggestions from the cost auditors the Oxygen plant was set up by the company. **(words 104)**

**c. Benefits derived by the company (Maximum 150 words)**

Large revenue and surplus was generated by sale of Oxygen gas cylinders by the company. It was also subsequently noticed that the cylinder cost which is in fact a capital item, the cost per cylinder was less than Rs. 5000/- and hence, the company could claim 100% depreciation in the first year of purchase of cylinders as per Companies Act 1956 Sch. XIV. Subsequently, these cylinders were rented out to the customers and as an industry practice, since the cylinders are returnable, large cylinder rentals could be collected as a running income for years together. The cylinders were estimated to have minimum 10 to 15 years useful life for which the rent could be collected. **(words 108)**

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