

# **COST ACCOUNTING STANDARDS**

*by:*

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**Chairman,**

**Cost Accounting Standards Board**

# **Why CAS are required ?**

- **Needs to have structured approach to measure cost of Product and Services.**
- **Need to achieve uniformity and consistency in classification, measurement and assignment of cost to product and services.**
- **Industry, Government Bodies, Regulators, Research Agencies and Academic Institutions need guidance**

## **Who will benefit ?**

- **Industry**
- **Government Bodies**
- **Regulators**
- **Research Agencies**
- **Academic Institutions**

## **Who formulates Cost Accounting Standards ?**

- **Since 2001, Cost Accounting Standards are being formulated by Cost Accounting Standards Board set up by ICAI (Formerly ICWAI)**

**Earlier to this...**

- **ICAI (Formerly ICWAI) set up National Management Accounting Standards Board (NAMASB) in 1981**
- **with the objective to draft and circulate Standard Management Accounting Practices**
- **to elicit as wide as a consensus and opinion from various bodies, such as Industry Association, Government, etc.** **4**

# **Who formulates Cost Accounting Standards ?**

**National Management Accounting Standards Board (NAMASB)**

- **Issued Guidelines relating to Capacity Determination**
- **Draft Guidelines for Inventory Valuation**

**Thereafter, No Standard or Guidelines were issued by the NMASB**

**2001**

- **Again this activity has been taken up by the ICAI (Formerly ICWAI) in year 2001 and set up Cost Accounting Standard Board**

# **Objectives of Cost Accounting Standards Board**

- **To integrate, harmonize and standardize cost accounting principles and practices**
- **To equip the profession with standard guidelines on cost accounting practices**
- **To assist the professionals in preparation of uniform cost statements, following standard approach towards maintenance of Cost Records.**

# **Objectives of Cost Accounting Standards Board**

- **To assist management in following standard cost accounting practices while compliance of statutory obligations under various statutes.**
- **To provide from time to time interpretations on Cost Accounting Standards.**
- **To issue application guidance relating to a particular standard.**

# **Composition of Cost Accounting Standards Board**

- **Chairman**
- **Nominees of the Central Council - 6 CCM**
- **Representative of Ministry of Corporate Affairs-1**
- **Cost Audit Branch-1**
- **Central Board of Excise & Customs-1**
- **Central Board of Direct Taxes-1**
- **Regulators-4**  
**CAG, RBI, TRAI, SEBI, CCI, CERC, IRDA, PNGRB etc.**



# **Composition of Cost Accounting Standards Board**

- **Industry representatives-3**  
**ASSOCHAM, CII, PHDCCI, FICCI etc.**
- **Members of Institute representing leading companies-2**
- **Professional bodies-2**  
**ICAI**  
**ICSI**

# **Composition of Cost Accounting Standards Board**

- **Academic Institutions-2**  
**IIM, MDI, Universities etc.**
- **Eminent Practicing Member-4**
- **Eminent persons having knowledge and expertise in the Cost and Management Accounting / Accounting Standards - 2**

# **Methodology Adopted**

- **Selection of item for which standard is to be developed.**
- **Preparation of Initial Draft of Cost Accounting Standard (CAS) on item selected.**
- **Discussion on Initial Draft in CASB and issue of Exposure Draft**
- **Exposure Draft is hosted on the website of the Institute and published in Management journal for comments of stakeholders and sent to various Chapters, Regional Councils, Past Presidents, leading entities in public and private sector for their comments.**

# **Methodology Adopted**

- **The comments and suggestions received are considered by the CASB**
- **After taking into consideration the comments received, the draft of the proposed Standard will be finalized by the CASB as Cost Accounting Standard and will be submitted to the Council of the ICAI for approval.**
- **The Cost Accounting Standards shall be issued under the authority of the Council of the ICAI.**

# Structure of Cost Accounting Standards

1. **Introduction**-Brief details of the topic and its role in the cost statements
2. **Objectives**-Provides for necessity of framing the standard
3. **Scope**-Applicability of the standard
4. **Definitions**-Description of terminology used in the standard
5. **Principles of Measurement**-Description of principles applicable behind the ascertainment, determination and categorization of elements of cost.

# Structure of Cost Accounting Standards

**6. Assignment of Cost**-Basis of assignment of costs to the cost of product or service

**7. Presentation**-To present essence of the CAS in prescribed formats.

**8. Disclosure**-Specific disclosures to provide clarity to the objective of CAS.

**Application Guidance** as an annexure, where-ever required

## Mandatory Application of Cost Accounting Standards

CAS No.	Title	Effective Date (for the period commencing from)
CAS 1 (Revised 2015)	Classification of Cost	1 <sup>st</sup> April 2015
CAS 2 (Revised 2015)	Capacity Determination	1 <sup>st</sup> April 2016
CAS 3 (Revised 2015)	Production / Operation Overheads	1 <sup>st</sup> April 2016
CAS 4	Cost of Production for Captive Consumption	1 <sup>st</sup> April 2010
CAS 5	Average (Equalized) Cost of Transportation	1 <sup>st</sup> April 2010
CAS 6	Material Cost	1 <sup>st</sup> April 2010
CAS 7	Employee Cost	1 <sup>st</sup> April 2010
CAS 8	Cost of Utilities	1 <sup>st</sup> April 2010
CAS 9	Packing Material Cost	1 <sup>st</sup> April 2010
CAS 10	Direct Expenses	1 <sup>st</sup> April 2010
CAS 11	Administrative Overheads	1 <sup>st</sup> April 2010

## Mandatory Application of Cost Accounting Standards

CAS No.	Title	Effective Date (for the period commencing from)
CAS 12	Repairs and Maintenance Cost	1 <sup>st</sup> April 2010
CAS 13	Cost of Service Cost Centre	1 <sup>st</sup> April 2011
CAS 14	Pollution Control Cost	1 <sup>st</sup> April 2012
CAS 15	Selling and Distribution Overheads	1 <sup>st</sup> April 2013
CAS 16	Depreciation and Amortisation	1 <sup>st</sup> April 2014
CAS 17	Interest and Financing Charges	1 <sup>st</sup> April 2014
CAS 18	Research and Development Costs	1 <sup>st</sup> April 2014
CAS 19	Joint Costs	1 <sup>st</sup> April 2014
CAS 20	Royalty and Technical Know-How Fee	1 <sup>st</sup> April 2014
CAS 21	Quality Control	1 <sup>st</sup> April 2014
CAS 22	Manufacturing Cost	1 <sup>st</sup> April 2015



## Mandatory Application of Cost Accounting Standards

In view of the Council Resolutions passed on different dates, the Cost Accounting Standards are mandatory with effect from the date as mentioned above for being applied for preparation and certification of the General Purpose Cost Statements.

In case the cost accountant is of the opinion that aforesaid standards have not been complied with for preparation of Cost Statements, it shall be his duty to make a suitable disclosure / qualification in his audit report / certificate.

# Mandatory Application of Cost Accounting Standards

## Cost Auditing Standard-103

### Cost Auditing Standard on Overall Objectives of the Independent Cost Auditor and the Conduct of an Audit in Accordance with Cost Auditing Standards

- *2.1 to obtain reasonable assurance about whether the cost statements as a whole are free from material misstatement, whether due to fraud or error, and to enable the auditor to express an opinion whether the Cost Statements are prepared, in all material respects, in accordance with the applicable Cost reporting framework, Cost Accounting Standards (CAS) and Generally Accepted Cost Accounting Principles (GACAP) as issued by the Institute...*
- *Where reasonable assurance cannot be obtained, the cost auditor should qualify the opinion and in extreme cases disclaim an opinion*

## **List of Cost Accounting Standards developed / to be developed**

### **COMPONENTS OF COST:**

- 1. Material Cost (CAS-6)**
- 2. Employee Cost. (CAS-7)**
- 3. Direct Expenses (CAS-10)**
- 4. Average Cost of Transportation (CAS-5)**
- 5. Cost of Utilities. (CAS-8)**
- 6. Service Department Expenses (CAS-13)**
- 7. Repairs and Maintenance Cost (CAS-12)**
- 8. Wasting-Material Cost (CAS-9)**
- 9. Pollution Control Cost (CAS-14)**
- 10. Production/ Operation Overheads (CAS-3).**

## List of Cost Accounting Standards developed / to be developed

11. **Administrative Overheads (CAS-11)**
12. **Manufacturing Cost (CAS-22)**
13. **Selling & Distribution Overheads (CAS-15)**
14. **Depreciation & Amortization (CAS-16)**
15. **Royalty and Technical Know how Fee (CAS-20)**
16. **Research and Development Costs (CAS-18)**
17. **Quality Control (CAS-21).**
18. **Interest and Borrowing Cost. (CAS-17)**
19. **Treatment of Revenue for Cost Statements**

## **List of Cost Accounting Standards developed / to be developed**

### **COST ACCOUNTING METHODOLOGY AND PROCEDURES:**

- 20. Classification of Cost (CAS-1)**
- 21. Capacity Determination. (CAS-2)**
- 22. Valuation of Captive Consumption. (CAS-4)**
- 23. Presentation of the cost statements**
- 24. Stock Valuation / WIP**
- 25. Treatment of Cost Variances**
- 26. Cost of conversion**

## **List of Cost Accounting Standards to be developed**

- 27. Joint Products (CAS-19)**
- 28. Reconciliation of Cost and Financial Statements.**
- 29. Shared Services Cost including outsourcing.**
- 30. Profit Centers and Reportable Segments under Cost Reporting.**
- 31. Return on Capital Employed.**
- 32. Predatory Pricing.**
- 33. Capital Assets manufactured in house**
- 34. Determination of Arm's Length Price.**
- 35. Credit for Recoveries**
- 36. Cost of Traded Finished Goods/ Stock Audit**
- 37. Overburden Removal Cost**
- 38. Guidance Note - Corporate Social Reporting**

# **MATERIAL COST**

## **(CAS-6)**

# INTRODUCTION

The standard deals with principles and methods of determining the Material Cost

Material for the purpose of this standard includes

- raw materials,
- process materials
- manufactured / bought out components
- sub-assemblies, accessories, semi finished goods, consumable stores, spares and other indirect materials.

**This standard does not deal with Packing Materials as a separate standard is being issued on the subject.**

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# INTRODUCTION

*The standard deals with the principles and methods of*

- *classification*
- *measurement and*
- *assignment of material cost*

*for determination of the Cost of product or service*

*It also deals with:*

*presentation and disclosure in cost statements.*

# INTRODUCTION

The Standard deals with the following issues.

- Principles of Valuation of receipt of materials.
- Principles of Valuation of issue of materials.
- Assignment of material cost to cost objects.

## Definition : Cost Object

*This includes a product, service, cost centre, activity, sub-activity, project, contract, customer or distribution channel or any other unit in relation to which costs are ascertained*

# OBJECTIVE

*The objective of this standard is to bring uniformity and consistency in the principles and methods of determining the material cost with reasonable accuracy.*

# PRINCIPLES OF MEASUREMENT

## (Receipt of materials)

### Purchased Material

*The material receipt should be valued at*

- *Purchase price*
- +
- *duties and taxes (non-refundable)*
- *freight inwards*
- *Insurance and*
- *other expenditure directly attributable to procurement*

# PRINCIPLES OF MEASUREMENT

## (Receipt of materials)

### Purchased Material

#### Following to be excluded in valuation:

- *trade discounts*
- *rebates*
- *taxes and duties refundable / adjustable by the tax authorities*  
(Cenvat credits, credit for countervailing Customs duty, Sales tax set off / VAT credits and other similar items of credit)  
whether recovered / recoverable.
- *Finance costs even if incurred in connection with acquisition of materials*

# PRINCIPLES OF MEASUREMENT

## (Receipt of materials)

### Self Manufactured Material

These are to be valued as under:

- *Direct material cost*
- + *Direct employee cost*
- + *Direct expenses*
- + *Factory overheads*
- + *Share of administrative overheads relating to production.*

#### Excluding:

- *administrative overheads not relating to production*
- *finance cost*
- *marketing overheads*

# PRINCIPLES OF MEASUREMENT

## (Receipt of materials)

### Definition: Production/Factory/Manufacturing Overheads

*Indirect costs involved in the production process or in rendering service*

### Definition: Administrative overheads

*Expenses in the nature of indirect costs, incurred for general management of an organization*

# PRINCIPLES OF MEASUREMENT

## (Receipt of materials)

### Treatment in case of Normal Loss:

- *Normal loss or spoilage of material prior to reaching the factory / place where services are provided*
- *It shall be absorbed in the cost of balance materials (net of amounts recoverable from suppliers, insurers, carriers or recoveries from disposal ) with corresponding adjustment in the quantity.*
- *Losses due to shrinkage or evaporation and gain due to absorption of moisture etc., before the material is received shall be absorbed in material cost to the extent they are normal, with corresponding adjustment in the quantity.*

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# PRINCIPLES OF MEASUREMENT

## (Receipt of materials)

### *Treatment in case of Exchange Fluctuation:*

- *The forex component of imported material cost shall be converted at the rate on the date of the transaction.*
- *Any subsequent change in the exchange rate till payment or otherwise shall not form part of the material cost.*

# PRINCIPLES OF MEASUREMENT

## (Receipt of materials)

### *Treatment in case of Demurrage:*

*Any demurrage or detention charges, or penalty levied by transport or other authorities shall not form part of the cost of materials*

# PRINCIPLES OF MEASUREMENT

(Receipt of materials)

## Treatment in case of Subsidy:

- \* *Subsidy / Grant / Incentive and any such payment received / receivable with respect to any material shall be reduced from cost for ascertainment of the cost of the cost object to which such amounts are related*

# PRINCIPLES OF MEASUREMENT

## (Issue of materials)

### Principle of valuation of issue of material

- *Issues shall be valued using appropriate assumptions*  
e.g.:
  - \* First In First Out
  - \* Last In First Out
  - \* Weighted Average Rate.
- The method of valuation shall be followed on a consistent basis.

# PRINCIPLES OF MEASUREMENT

(Issue of materials)

## Principle of valuation of issue of material

- *Where materials are accounted at standard cost, the price variances related to materials shall be treated as part of material cost.*

### Definition : Standard Cost

*A predetermined norm applied as a scale of reference for assessing actual cost, whether these are more or less*

# PRINCIPLES OF MEASUREMENT

(Issue of materials)

## Principle of valuation of issue of material

- *Any abnormal cost shall be excluded from the material cost.*

### Definition : Abnormal cost:

*An unusual or atypical cost whose occurrence is usually irregular and unexpected and/ or due to some abnormal situation of the production or operation*

# PRINCIPLES OF MEASUREMENT

(Issue of materials)

## Transportation Costs:

- *Wherever, material costs include transportation costs, determination of costs of transportation shall be governed by CAS 5 – Cost Accounting Standard on Determination of Average (Equalized) Cost of Transportation.*

# PRINCIPLES OF MEASUREMENT

(Issue of materials)

## Imputed Costs:

- *Material cost may include imputed costs not considered in financial accounts. Such costs which are not recognized in financial accounts may be determined by imputing a cost to the usage or by measuring the benefit from an alternate use of the resource.*

## Definition: Imputed Costs:

*Hypothetical or notional costs, not involving cash outlay, computed only for the purpose of the decision making*

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# PRINCIPLES OF MEASUREMENT

(Issue of materials)

## Self manufactured components

*Self manufactured components and sub-assemblies shall be valued including*

- \* *direct material cost*
- \* *direct employee cost*
- \* *direct expenses*
- \* *factory overheads*
- \* *share of administrative overheads relating to production*

*Excluding:*

- \* *administrative overheads not relating to production*
- \* *finance cost*
- \* *marketing overheads*

# PRINCIPLES OF MEASUREMENT

(Issue of materials)

## Normal Scrap

*The material cost of normal scrap/ defectives which are rejects shall be included in the material cost of goods manufactured.*

*The material cost of actual scrap / defectives, not exceeding the normal shall be adjusted in the material cost of good production.*

*Material Cost of abnormal scrap /defectives should not be included in material cost but treated as loss after giving credit to the realisable value of such scrap / defectives.*

# ASSIGNMENT OF COSTS

## Assignment of Costs - Materials:

- *Material costs shall be directly traced to a Cost object to the extent it is economically feasible and /or*
- *shall be assigned to the cost object on the basis of material quantity consumed or*
- *similar identifiable measure*

*Where the material costs are not directly traceable to the cost object, these may be assigned on a suitable basis like*

*\* technical estimates*

# ASSIGNMENT OF COSTS

## Assignment of costs – Direct Expenses:

### Processing charges payable to third party:

*\* Where a material is processed or part manufactured by a third party according to specifications provided by the buyer, the processing/ manufacturing charges payable to the third party shall be treated as part of the material cost*

# ASSIGNMENT OF COSTS

## Assignment of costs – Direct Expenses

### Sub-contract charges:

*\* Wherever part of the manufacturing operations / activity is subcontracted, the subcontract charges related to materials shall be treated as direct expenses and assigned directly to the cost object.*

# ASSIGNMENT OF COSTS

## Assignment of costs – Indirect Materials

- \* *The cost of indirect materials shall be assigned to the various Cost objects based on a suitable basis such as actual usage or technical norms or a similar identifiable measure.*
- \* *The cost of materials like catalysts, dies, tools, moulds, patterns etc, which are relatable to production over a period of time shall be amortized over the production units benefited by such cost.*
- \* *The cost of indirect material with life exceeding one year shall be included in cost over of the material, proportionately.*

# PRESENTATION

*Direct Materials shall be classified in the cost statement under suitable heads. e.g.*

- *Raw materials,*
- *Components,*
- *Semi finished goods and*
- *Sub-assemblies*

*Direct Materials shall be classified as*

- *Purchased - indigenous*
- *Purchased - imported*
- *self manufactured*

# PRESENTATION

- \* *Indirect Materials shall be classified in the cost statement under suitable heads*

like:

- \* tools
- \* stores and spares
- \* machinery spares
- \* jigs and fixtures
- \* consumable stores, etc.,

(if they are significant.)



# DISCLOSURES

Following to be disclosed in the cost statements:

- \* *Quantity and rates of major items of materials shall be disclosed. (Major items are defined as those who form 5% of cost of materials)*
  
- \* *Basis of valuation of materials*
  - *Any change in the Cost Accounting principle or methods applied for the determination of the material cost during the period along with its effect on cost of the material shall be disclosed.*
  - *Where the effect of such change is not ascertainable wholly or partly, the fact shall be indicated.*

# DISCLOSURES

- *Abnormal cost excluded from the material cost, if any.*
- *Demurrage or detention charges or penalty*
- *Subsidy/Grant/Incentive or any such payment reduced from material cost.*
- *Cost of Materials procured from related parties.*
- *Imputed cost included in material cost, if any.*

# DISCLOSURES

## Materiality:

- *Disclosures shall be made only where significant, material and quantifiable.*

## Where to disclose:

- *Disclosures may be made:*
  - \* *in the body of the Cost statement or*
  - \* *as a footnote or*
  - \* *as a separate schedule*

# EMPLOYEE COST

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# EMPLOYEE COST

## Classification of Employee Cost

- Direct employee cost
- Indirect employee cost

Direct - Cost of those workers who are readily identified or linked with a cost centre or cost object.

Indirect - Cost of employees which are not directly allocable to a particular cost centre.

# EMPLOYEE COST

All factory employees cost other than for direct employees are classified as indirect employee costs.

The distinction between direct and indirect employee is sometime difficult to establish.

Where fully automatic machinery is used, the worker becomes in effect a machine tender. if a man is tending a productive machine, his labour is as direct if he is repair man or set-up man, he may be classified as indirect employee.

# EMPLOYEE COST

- Inspection employee may be considered direct employee or indirect employee depending upon the circumstances.
- If each unit must be tested or measured to ascertain that the product meets predetermined specification, inspection cost be considered as Direct
- Inspection should, in other cases be considered as indirect employee if inspection is done on selective basis.

# EMPLOYEE COST

- Compensation paid to employees for the past period on account of any dispute/ court orders shall not form part of Employee Cost.
- Short provisions of prior period made in current period will not form part of the cost in the current period.
- Such payments for past period are items of reconciliation between Cost and Financial Accounts.



# EMPLOYEE COST

## Separation Costs :

- *Separation costs related to*
  - \* *voluntary retirement,*
  - \* *retrenchment,*
  - \* *termination etc.*

Benefits which are payable **in addition** to the normal retirement benefits, such as benefits under voluntary retirement scheme, should be treated as abnormal and should not form part of salaries and wages and cost of production.

# EMPLOYEE COST

## Penalties :

- *Penalties, damages paid to statutory authorities or other third parties shall not form part of the Employee cost.*

# EMPLOYEE COST

## Meaning of Employee Cost

- Employee Cost means the aggregate of all kinds of consideration paid, payable and provisions made for future payments for the services rendered by employees of an enterprise (including temporary, part time and contract employees).
- Employee cost does not include workers hired through contractor or agents as they are not on the roll of the organization and payments are made to the contractor and not to such workers.
- Consideration includes wages, salary, contractual payments and benefits, as applicable or any payment made on behalf of employee.

# EMPLOYEE COST

- Employee cost includes payment made in cash or kind for example:

## Employee Cost

- Salaries, wages, allowances and bonus / incentives.
- Contribution to provident and other funds.
- Employee welfare.
- Other benefits.

## Employee Cost - Future benefits

- \* Gratuity
- \* Leave encashment.
- Other retirement/separation benefits. VRS/ other deferred cost.
- Other future benefits

# EMPLOYEE COST

Benefits generally include:

- Paid holidays.
- Leave with pay
- Statutory provisions for insurance against accident or health scheme.
- Statutory provisions for workman's compensation.
- Medical benefits to the employees and dependents.
- Free or subsidised food.
- Free or subsidised housing.
- Free or subsidised education to children.
- Free or subsidised canteen, crèches and recreational facilities.
- Free or subsidised conveyance.
- Leave travel concession.
- Any other free or subsidised facility.
- Cost of Employees' stock option.

# EMPLOYEE COST

*Employee Cost shall be ascertained taking into account*

- *gross pay*
- *including all allowances and benefits.*

## Bonus:

- *Bonus whether payable as a Statutory Minimum or on a sharing of surplus shall be treated as part of employee cost*

## Ex-gratia:

- *Ex gratia payable in lieu of or in addition to Bonus shall also be treated as part of the employee cost*

# EMPLOYEE COST

## Director Remuneration:

- *Remuneration payable to Managerial Personnel including Executive Directors on the Board will be considered as part of the Employee Cost*
- *Even if whole or part of the remuneration is computed as a percentage of profits.*

# EMPLOYEE COST

## Remuneration to Non-executive Directors :

- *Remuneration paid to non executive directors shall not form part of Employee Cost*
- *It shall form part of Administrative Overheads.*



# EMPLOYEE COST

## Employee Benefits :

- *The cost of free housing, free conveyance and any other similar benefits provided to an employee shall be determined at the total cost of all resources consumed in providing such benefits.*
- *Any recovery from the employee towards any benefit provided e.g. housing shall be reduced from the employee cost.*

# EMPLOYEE COST

## Traceable Costs:

*Where the Employee services are traceable to a cost object, such Employees' cost shall be assigned to the cost object on the basis, such as:*

- *time consumed or*
- *number of employees engaged etc or*
- *similar identifiable measure*

## Others:

*Where the Employee costs are not directly traceable to the cost object, these may be assigned on suitable basis like*

- *estimates of time based on time study.*

# EMPLOYEE COST

## Recruitment / Training Costs

- *Recruitment costs, training cost and other such costs shall be treated as overheads and dealt with accordingly.*

## Overtime premium

- *Overtime premium shall be assigned directly to the cost object or treated as overheads depending on the economic feasibility and the specific circumstance requiring such overtime.*

# EMPLOYEE COST

## Idle time

- *Idle time cost shall be assigned direct to the cost object or treated as overheads depending on the economic feasibility and the specific circumstances causing such idle time.*
- Cost of idle time for reasons anticipated like normal lunchtime, holidays etc is normally loaded in the Employee cost while arriving at the cost per hour of an Employee / group of Employees

# EMPLOYEE COST

- *Direct Employee costs shall be presented as a separate cost head in the cost statement.*
- *Indirect Employee costs shall be presented in cost statements as a part of overheads relating to respective functions e.g*
  - \* manufacturing*
  - \* administration*
  - \* marketing etc.*

# COST OF UTILITIES

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# UTILITIES

## Utilities:

Utilities comprise of significant inputs such as power, steam, water, compressed air and the like which are used for manufacturing process but do not form part of the final product.

# CLASSIFICATION

## Classification of Utilities

Utilities are classified according to the nature of utility. Various types of utilities used in manufacturing process are

### Power

- Purchased Power
- Generated Power (stand-alone)
- Co-generation

### Water

- Raw Water
- Treated water
- De-mineralized water
- Distilled water/softening water Chilled water
- Cold water Hot water



# CLASSIFICATION

## Steam

- Low Pressure steam
- High pressure steam

## Climatic control

- Air conditioning
- Humidification
- Air Handling units

## Air

- Compressed Ai
- Instrument Air (Vacuum)
- Oxygen Gas
- Nitrogen gas
- Hydrogenation

## COST OF PURCHASED UTILITIES

Cost of such utilities shall comprise:

- Cost of purchase
- Duties and taxes  
*(net of taxes and duties refundable or to be credited)*
- Transportation cost
- Insurance
- Other expenditure directly attributable to procurement
- Distribution/delivery cost up to the point of consumption

## **COST OF SELF GENERATED UTILITIES**

**Cost of such utilities shall comprise:**

- **Direct material cost**
- **Direct employee cost**
- **Direct expenses**
- **Factory overheads**
- **Distribution/delivery cost up to the point of consumption**

## PRINCIPLES OF DETERMINATION OF COST OF UTILITIES

- Cost shall be determined based on the normal capacity or actual capacity utilization whichever is higher
- Unabsorbed cost, if any, shall be treated as abnormal cost.
- Cost shall include cost of maintaining Stand-by Utilities

*(Stand-by utility refers to any utility created to safeguard against the failure of the main source of inputs)*

## EXCLUSIONS

Following costs shall not form part of cost of Utilities:

- Finance costs
- Abnormal portion of cost of utilities.
- Imputed costs, i.e., hypothetical or notional costs, not involving cash outlay.
- Penalties, damages paid to statutory authorities or other third parties.

## **CREDIT FOR RECOVERIES**

**Following amounts shall be deducted from Cost of Utilities:**

- **Subsidy / Grant / Incentives or amount of similar nature related to utilities**
- **Recoveries from providing of utilities to outside parties**

## **COST OF SERVICE COST CENTRE**

**Service Cost Centres:**

**These are the cost centres which primarily provides auxiliary services across the enterprise like:**

- **Engineering**
- **Workshop**
- **Designing**
- **Safety**
- **Transport**
- **Computer Cell**
- **Welfare**
- **Other related centres**

## **COST OF SERVICE COST CENTRE**

**Service cost centres provides service to:**

- **Production**
- **Operation or**
- **Other service cost centres**

**Service cost centres are not directly engaged in manufacturing process or operation. In some cases, it renders services to other units or outside parties also.**



## **COST OF SERVICE COST CENTRE**

**Cost of service cost centre shall be the aggregate of**

- **Direct costs**
- **Indirect costs**

**attributable to services being rendered by such cost centre.**

**Cost of supply of services by Contractor :**

**Cost of such services shall comprise:**

- **Invoice or agreed price**
- **duties and taxes**  
**(net of taxes and duties refundable or to be credited)**
- **other expenditure directly attributable thereto**

## **COST OF SERVICE COST CENTRE**

**Cost of services rendered at site by Contractor :**

**Cost of such services shall comprise:**

- **charges payable to the contractor**
  
- **plus: cost of entity's own resources, i.e,**
  - **Cost of materials**
  - **Consumable stores**
  - **Spares**
  - **Manpower**
  - **Equipment usage**
  - **Utilities**
  - **Other resources used in such service.**
  - **Related Overheads**

## **COST OF SERVICE COST CENTRE**

**Cost of In-house services:**

**Cost of In-house services shall comprise the following:**

- **Cost of materials**
- **Consumable stores**
- **Spares**
- **Manpower**
- **Equipment usage**
- **Utilities**
- **Other resources**
- **Related overheads**

## **COST OF SERVICE COST CENTRE**

### **Assignment of Service Cost**

**The most appropriate basis of distribution of cost of a service cost centre to the cost centers consuming services is to be derived from logical parameters which could be related to the usage of the service rendered. The parameter should be equitable, reasonable and consistent.**

## SECONDARY ALLOCATION

### Secondary Allocation:

The costs accumulated for service utilities, like water, steam power etc., and should be allocated to different cost centers on the basis of units consumed by the user centre by crediting the respective utility centre.

The Factory/Production Overheads including apportioned share of service utilities should then be apportioned to the production cost centers on a suitable basis.

The total expenses of individual cost centers including the allocated service utility expenses and apportioned share of Factory/Production

## COST OF UTILITIES

S.No	Particulars	Water Collection	Water Treatment	Ash Handling-Dry	Ash Handling-Wet	Effluent Treatment
		Amt(Rs)	Amt(Rs)	Amt(Rs)	Amt(Rs)	Amt(Rs)
1	Material Consumption - Cost of Water & Cess		NIL	NIL	NIL	NIL
2	Direct Employees Cost					
3	Direct Expenses					
4	Consumables - Chemicals					
5	Consumables - Stores and Spares					
6	Repairs and Maintenance					
7	Depreciation on Utility Assets'					
8	Other Overheads					
9	Total					
10	Less: Credits, if Any					
11	Net total					

## DATA COLLECTION

S.No .	Particulars	Unit-1	Unit-2	Unit-3
		Amt(Rs)	Amt(Rs)	Amt(Rs)
<b>1</b>	<b>Employees Cost</b>			
	(a) Related to Generation (Plant)			
	(b) Related to Water Collection			
	(c) Related to Water Treatment			
	(d) Related to Ash Handling			
	(e) Related to Effluent Treatment			
	(f) Related to General Administration (Admin, Accounts etc)			
	<b>Total Employee Cost (a) to (f) matching with TB</b>			

## DATA COLLECTION

S.No	Particulars	Unit-1	Unit-2	Unit-3
		Amt(Rs)	Amt(Rs)	Amt(Rs)
<b>2</b>	<b>Consumable Stores and Spares</b>			
	(a) Related to Generation			
	(b) Related to Water Collection			
	(c) Related to Water Treatment			
	(d) Related to Ash Handling			
	(e) Related to Effluent Treatment			
	<b>Total Consumables, Stores &amp; Spares (a) to (e) matching with TB</b>			



## DATA COLLECTION

		Unit-1	Unit-2	Unit-3
		Amt(Rs)	Amt(Rs)	Amt(Rs)
<b>3</b>	<b>Repairs and Maintenance</b>			
	(a) Related to Plant			
	(b) Related to Water Collection			
	(c) Related to Water Treatment			
	(d) Related to Ash Handling			
	(e) Related to Effluent Treatment			
	(f) Related to General Administration (74.7 & 74.8)			
	<b>Total Repair &amp; Maint. (a) to (f) matching with TB</b>			

## DATA COLLECTION

		Unit-1	Unit-2	Unit-3
		Amt(Rs)	Amt(Rs)	Amt(Rs)
<b>5</b>	<b>Depreciation or Amortization</b>			
	(a) Related to Plant			
	(b) Related to Water Collection			
	(c) Related to Water Treatment			
	(d) Related to Ash Handling			
	(e) Related to Effluent Treatment			
	(f) Related to General Administration			
	<b>Total Depreciation (a) to (f) matching with TB</b>			

*Thank you*