



CAS-19 COST ACCOUNTING STANDARD ON JOINT COSTS

The following is the Cost Accounting Standard – 19 (CAS - 19) on “JOINT COSTS”. In this standard, the standard portions have been set in ***bold Italic*** type. These are to be read in context of the background material which has been set in normal type.

1. Introduction

The standard deals with the principles and methods of measurement and assignment of Joint Costs and the presentation and disclosure in cost statement.

2. Objective

The objective of this standard is to bring uniformity, consistency in the principles, methods of determining and assigning Joint Costs with reasonable accuracy.

3. Scope

The standard shall be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Joint Costs including those requiring attestation.

4. Definitions

The following terms are being used in this standard within the meaning specified.

4.1 By-Product: output of some value produced incidentally while manufacturing the main product¹

4.2. Cost Object: This includes a product, service, cost centre, activity, sub activity, project, customer or distribution channel or any other units in relation to which costs are ascertained².

4.3 Imputed Cost: Hypothetical or notional costs, not involving any cash outlay computed for any purpose³.

¹ Adapted from CIMA Terminology

² Adapted from CIMA Terminology

³ Adapted from CAS 1 paragraph 6.5.13



4.4 Joint Costs: Joint costs are the cost of common resources used to produce two or more products or services simultaneously.

4.5 Joint product : two or more products produced by the same process and separated in processing, each having a sufficiently high saleable value to merit recognition as a main product⁴.

4.6 Scrap: Discarded material having some value in few cases and which is usually either disposed of without further treatment (other than reclamation and handling) or reintroduced into the production process in place of raw material⁵.

4.7 Split off point: The point in the production process at which joint products become separately identifiable. The terms split off point and separation point are used interchangeably.

4.8 Waste: Material loss during production or storage due to various factors such as evaporation, chemical reaction, contamination, unrecoverable residue, shrinkage, etc. and discarded material which may or may not have a value⁶.

5. Principles of Measurement

5.1 The principles and methods for measuring Joint costs upto the split off point will be the same as stipulated in other cost accounting standards.

5.2 Cost incurred after split-off point on product separately identifiable shall be measured for the resources consumed for each Joint/By-Product.

5.3 Cost incurred after split- off point for further processing of joint product/By-Product shall be the aggregate of direct and indirect costs.

5.4 Cost of further processing of joint product/By-Product carried out by outside parties shall be determined at invoice or agreed price including duties and taxes, net of discounts (other than cash discount) taxes and duties refundable or to be credited and other expenditure directly attributable to such processing . This cost shall also include the cost of resources provided to outside parties.

⁴ Adapted from CIMA Terminology

⁵ Adapted from CAS 6 paragraph 4.9

⁶ Adapted from CAS 6 paragraph 4.11.1



5.5 In case the production process generates scrap or waste, realized or realizable value, net of disposal cost, of scrap and waste shall be deducted from the cost of Joint Product.

5.6 Any Subsidy / Grant / Incentive or any such payment received / receivable with respect to any joint product /By-Product shall be reduced for ascertainment of the cost to which such amounts are related.

5.7 Penalties, damages paid to statutory authorities or other third parties shall not form part of the cost of the joint product /By-Product.

6. Assignment

6.1 Joint cost incurred shall be assigned to joint products based on benefits received, which is measured using any of the following methods:

- a) Physical Units Method.
- b) Net Realisable Value at split-off point.

Net realisable value for this purpose means the net selling price per unit multiplied by quantity (Quantity sold). Net realizable value is to be adjusted for the post- split off costs.

- c) Technical estimates

6.2 The value of By-Product shall be estimated using any of the following methods for adjusting joint costs :

a. Net realizable value

Net realizable value for this purpose means the net selling price per unit multiplied by quantity (Quantity sold). Net realizable value is to be adjusted for the post- split off costs.

b. Technical Estimates

This method may be adopted where the By-Product is not saleable in the condition in which it emerges or comparative prices of similar products are not available.

7. Presentation



The Cost Statement shall present the element wise cost of individual products produced jointly and the value assigned to By-Products.

8. Disclosures

8.1 The Cost statement shall disclose the basis of allocation of Joint costs to individual products and the value assigned to the By-Products

8.2 The Cost statement shall also disclose:

8.3 The disclosure should be made only where material, significant & quantifiable.

8.4 Disclosures shall be made in the body of Cost Statements or as a foot note or as a separate schedule.

8.5 Any change in the cost accounting principles and methods applied for the measurement and assignment of the Joint costs and the value assigned to by-product during the period covered by the cost statement which has a material effect on the Joint/ By-Products shall be disclosed. Where the effect of such change is not ascertainable wholly or partly the fact shall be indicated.

9. Effective date:

This Cost Accounting Standard shall be effective from the period commencing on or after 1st April 2014 for being applied for the preparation and certification of General Purpose Cost Accounting Statements.
