COST ACCOUNTING STANDARD ON JOINT COSTS (CAS 19)

9. Effective Date

Effective from 1st April 2014

3. Scope

3. 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

4.1 **By-Product**: Product with **relatively low value** produced **incidentally** in the manufacturing of the product or service.

Examples:

Molasses in sugar refining

Ash from fuel combustion

Straw from grain harvesting

4. Definitions

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**: Products or services that are **produced simultaneously**, by the **same process**, identifiable at the end of the process and recognised as **main products or services** having **sufficient value**.

Examples:

Production of Bran, Semolina, Flour and Maida from Wheat

Production of Butter, Cheese and Cream from Milk.

4. Definitions

4.6 **Scrap**: Discarded material having no or **insignificant value** and which is usually **either disposed off** without further treatment (other than reclamation and handling) **or reintroduced** into the process in place of raw material.

Properties

Discarded material having some value

Always physically available and visible

Types of scrap

(a) Legitimate scrap,

(b) Administrative scrap,

(c) Defective scrap.

Examples:

Burr from machining

Runners & Risers in casting

4. Definitions

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 **lost** during production or storage and **discarded** material which may or may not have any value.

Properties

May be invisible or visible

May not have any value

Types of waste

(a) Normal

(b) Abnormal

Examples:

Evaporation

Expiry / chemical reaction

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**.

5.5 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. Principles of Measurement

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 of Costs

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.

Explanation: 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.

Particulars	**UOM**	**A**	**B**
Sales price of joint products	Rs.	10,000	12,000
(-) further processing cost	Rs.	1,000	3,000
Net realisable value	Rs.	9,000	9,000
Joint Cost of Production at split off	Rs.	15,000	
Assignment of cost	Rs.	**7,500**	**7,500**

c) Technical estimates

6. Treatment of Cost

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

a. Net realizable value

Explanation: 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

Explanation: 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.

Check points	Reply
Whether cost incurred after split-off point for separately identifiable product is measured for the resources consumed for each Joint/By-Product?	
Whether, in case of scrap or waste, realized or realizable value - disposal cost of scrap and waste is deducted from the cost of Joint Product?	
Whether the Joint cost incurred is assigned to joint products based on benefits received? Which of the following methods is used? a) Physical Units Method. b) Net Realisable value at split-off point c)Technical Estimates	
Which method is used for estimating the value of By-Product for adjusting joint costs.. a. Net realizable value, b. Technical Estimates.	
Whether the basis of allocation of Joint costs to individual products and the value assigned to the By-Products is disclosed in cost statement?	

Thank you