The following is the text of the Cost Accounting Standard 5 (CAS-5) issued by the Council of the Institute of Cost & Works Accountants of India on “Determination of Average (Equalized) Cost of Transportation”. This standard deals with the determination of average transportation cost of a product. In this standard the standard portions have been set in bold italic type. These are to be read in the context of the background material which has been set in the normal type.

1. **Introduction:**

   1.1 The cost accounting principles for tracing/identifying an element of cost, its allocation/apportionment to a product or service are well established. Transportation cost is an important element of cost for procurement of materials for production and for distribution of product for sale. Therefore, Cost Accounting Records should present transportation cost separately from the other cost of inward materials or cost of sales of finished goods. The Finance Act 2003 also specifies the certification requirement of transportation cost for claiming deduction while arriving at the assessable value of excisable goods cleared for home consumption/ export. There is a need to standardize the record keeping of expenses relating to transportation and computation of transportation cost.

2. **Objective**

   2.1 To bring uniformity in the application of principles and methods used in the determination of averaged/equalized transportation cost.

   2.2 To prescribe the system to be followed for maintenance of records for collection of cost of transportation, its allocation/apportionment to cost centres, locations or products.

   For example, transportation cost needs to be apportioned among excisable, exempted, non-excisable and other goods for arriving at the average of transportation cost of each class of goods.

   2.3 To provide transparency in the determination of cost of transportation.

3. **Scope**

   3.1 This standard should be applied for calculation of cost of transportation required under any statute or regulations or for any other purpose. For example, this standard can be used for:

   (a) determination of average transportation cost for claiming the deduction for arriving at the assessable value of excisable goods
   (b) Insurance claim valuation
   (c) Working out claim for freight subsidy under Fertilizer Industry Coordination Committee
(d) Administered price mechanism of freight cost element
(e) Determination of inward freight costs included or to be included in the cost of purchases attributable to the acquisition.
(f) Computation of freight included in the value of inventory for accounting on inventory or valuation of stock hypothecated with Banks / Financial Institution, etc.

4. Definitions

The following terms are used in this standard with the meaning specified:

4.1 Cost of Transportation comprises of the cost of freight, cartage, transit insurance and cost of operating fleet and other incidental charges whether incurred internally or paid to an outside agency for transportation of goods but does not include detention and demurrage charges.

Explanation:
Cost of transportation is classified as inward transportation cost and outward transportation Cost.

4.2 Inward Transportation cost is the transportation expenses incurred in connection with materials /goods received at factory or place of use or sale/removal.

4.3 Outward Transportation cost is the transportation expenses incurred in connection with the sale or delivery of materials or goods from factory or depot or any other place from where goods are sold /removed

4.4 Freight is the charges paid or payable to an outside agency for transporting materials/goods from one place to another place.

4.5 Cartage is the expenses incurred for movement of goods covering short distance for further transportation for delivery to customer or storage.

4.6 Transit insurance cost is the amount of premium to be paid to cover the risk of loss/damage to the goods in transit.

4.7 Depot is the bounded premises/place managed internally or by an agent, including consignment agent and C & F agent, franchisee for storing of materials/goods for further dispatch including the premises of Consignment Agent and C&F Agent for the purpose.

Depot includes warehouses, go-downs, storage yards, stock yards etc.

4.8 Equalized transportation cost means average transportation cost incurred during a specified period.

4.9 Equalized freight means average freight.
5. Maintenance of records for ascertaining Transportation Cost

5.1 Proper records shall be maintained for recording the actual cost of transportation showing each element of cost such as freight, cartage, transit insurance and others after adjustment for recovery of transportation cost. Abnormal costs relating to transportation, if any, are to be identified and recorded for exclusion of computation of average transportation cost.

5.2 In case of a manufacturer having his own transport fleet, proper records shall be maintained to determine the actual operating cost of vehicles showing details of various elements of cost, such as salaries and wages of driver, cleaners and others, cost of fuel, lubricant grease, amortized cost of tyres and battery, repairs and maintenance, depreciation of the vehicles, distance covered and trips made, goods hauled and transported to the depot.

5.3 In case of hired transport charges incurred for despatch of goods, complete details shall be recorded as to date of despatch, type of transport used, description of the goods, destination of buyer, name of consignee, challan number, quantity of goods in terms of weight or volume, distance involved, amount paid, etc.

5.4 Records shall be maintained separately for inward and outward transportation cost specifying the details particulars of goods despatched, name of supplier / recipient, amount of freight etc.

5.5 Separate records shall be maintained for identification of transportation cost towards inward movement of material (procurement) and transportation cost of outward movement of goods removed/sold for both home consumption and export.

5.6 Records for transportation cost from factory to depot and thereafter shall be maintained separately.

5.7 Records for transportation cost for carrying any material / product to job-workers place and back should be maintained separately so as include the same in the transaction value of the product.

5.8 Records for transportation cost for goods involved exclusively for trading activities shall be maintained separately and the same will not be included for claiming any deduction for for calculating assessable value excisable goods cleared for home consumption.

5.9 Records of transportation cost directly allocable to a particular category of products should be maintained separately so that allocation in appendix –3 can be made.
5.10 For common transportation cost, both for own fleet or hired ones, proper records for basis of apportionment should be maintained.

5.11 Records for transportation cost for exempted goods, excisable goods cleared for export shall be maintained separately.

5.12 Separate records of cost for mode of transportation other than road like ship, air etc are to be maintained in appendix –2 which will be included in total cost of transportation.
6. Treatment of cost:

6.1 Inward transportation costs shall form the part of the cost of procurement of materials which are to be identified for proper allocation/ apportionment to the materials/products.

6.2 Outward transportation cost shall form the part of the cost of sale and shall be allocated/apportioned to the materials and goods on a suitable basis.

Explanation:
Outward transportation cost of a product from factory to depot or any location of sale shall be included in the cost of sale of the goods available for sale.

6.3 The following basis may be used, in order of priority, for apportionment of outward transportation cost depending upon the nature of products, unit of measurement followed and type of transport used:
   i) Weight
   ii) Volume of goods
   iii) Tonne-Km
   iv) Unit/Equivalent unit
   v) Value of goods
   vi) Percentage of usage of space

Once a basis of apportionment is adopted, the same should be followed consistently.

6.4 For determining the transportation cost per unit, distance shall be factored in to arrive at weighted average cost.

6.5 Abnormal and non-recurring cost shall not be a part of transportation cost.

Explanation:
Penalty, detention charges, demurrage and cost related to abnormal break down will not be included in transportation cost.

7. Cost Sheet

The cost sheets shall be prepared and presented in a form as per Appendices 1,2 and 3 or as near thereto. Appendix 1 and Appendix 2 show the details of information to be maintained for compilation of transport cost for own fleet and hired transportation charges respectively. Appendix 1 is applicable where the organization is having its own fleet.

The directly allocable cost of own fleet (outward) shall be identified against different categories of products as shown in Appendix 3 and same shall be indicated there. Similarly, total common cost of own fleet (outward) shall be apportioned to different categories of products as shown in Appendix 3 on a basis which should be specified. The basis of apportionment may be adopted depending on the nature of product as indicated in para 6.3. Similar approach shall also be applied for hired outward transport charges.
More columns may be required to be shown in Appendix 3 specifying different types of transactions. For example: Sale on specific rate basis, sale of waste, scrap, return from customer, goods sent for job work, goods received after job work etc.

Unit of Measurement (UM) may vary depending upon the nature of the product. For example, Number, MT, Meter, Litre etc. Proper records shall be maintained to show separately the Transportation Cost relating to sending of jobs to job contractors/convertors and receipt back of processed jobs/converted materials.

An enterprise shall be required to maintain cost records and other books of account in a manner which would facilitate preparation and verification of cost of transportation and other related charges and its apportioning to various products.

8. Transaction value:

‘Transaction value’ shall have the meaning assigned to it in Section 4 of The Central Excise Act, 1944 or Section 14 of The Customs Act, 1962 or as defined in any other Act or Regulations as the case may be.

9. The standard will be operative from the date of issue.

Finalized by CASB-WTO Committee on 20 July 2005 and circulated to the Council at its meeting on 21 July 2005 (1st draft was published in June 2002 journal)
Name of the Manufacturer: 
Address of the Manufacturer:  
Statement of Operating Cost of own Fleet for the period…….

<table>
<thead>
<tr>
<th>Sl No</th>
<th>QUANTITATIVE INFORMATION</th>
<th>C C O S T I N F O R M A T I O N</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Number of Vehicles</td>
<td>(Rs)</td>
</tr>
<tr>
<td>A2</td>
<td>Number of trips</td>
<td></td>
</tr>
<tr>
<td>A3</td>
<td>Goods transported – inward (UM)</td>
<td></td>
</tr>
<tr>
<td>A4</td>
<td>Goods transported – outward (UM)</td>
<td></td>
</tr>
<tr>
<td>A5</td>
<td>Goods transported – inward – Km</td>
<td></td>
</tr>
<tr>
<td>A6</td>
<td>Goods transported – outward – Km</td>
<td></td>
</tr>
<tr>
<td>A7</td>
<td>Total Goods transported inward – basis of apportionment (Specify)</td>
<td></td>
</tr>
<tr>
<td>A8</td>
<td>Total Goods transported outward – basis of apportionment (Specify)</td>
<td></td>
</tr>
<tr>
<td>A9</td>
<td>Total (A7+A8)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sl No</th>
<th>COST INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1</td>
<td>Salaries &amp; Wages of Drivers, Cleaners and others</td>
</tr>
<tr>
<td>B2</td>
<td>Fuel &amp; Lubricants</td>
</tr>
<tr>
<td>B3</td>
<td>Consumables</td>
</tr>
<tr>
<td>B4</td>
<td>Amortized cost of Tyre, Tube &amp; Battery</td>
</tr>
<tr>
<td>B5</td>
<td>Spares</td>
</tr>
<tr>
<td>B6</td>
<td>Repair &amp; Maintenance</td>
</tr>
<tr>
<td>B7</td>
<td>Other Variable Cost (specify)</td>
</tr>
<tr>
<td>B8</td>
<td>Total Variable Cost (B1 to B7)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sl No</th>
<th>FIXED COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>B9</td>
<td>Insurance</td>
</tr>
<tr>
<td>B10</td>
<td>Licence Fee, Permit Fee and Taxes</td>
</tr>
<tr>
<td>B11</td>
<td>Depreciation</td>
</tr>
<tr>
<td>B12</td>
<td>Other Fixed Costs (Specify)</td>
</tr>
<tr>
<td>B13</td>
<td>Total Fixed Cost (B9 to B12)</td>
</tr>
<tr>
<td>B14</td>
<td>Total Operating Cost (B8+B13)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sl No</th>
<th>APPORTIONMENT (Basis to be specified) - usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Inward Transport Cost (B14 *A7/A9)</td>
</tr>
<tr>
<td>C2</td>
<td>Outward Transport Cost (B14 *A8/A9)</td>
</tr>
<tr>
<td>C3</td>
<td>Transit insurance for inward movement</td>
</tr>
<tr>
<td>C4</td>
<td>Transit insurance for outward movement</td>
</tr>
<tr>
<td>C5</td>
<td>Total transportation cost for inward movement (C1+C3)</td>
</tr>
<tr>
<td>C6</td>
<td>Total transportation cost for outward movement (C2+C4)</td>
</tr>
</tbody>
</table>

Note:

1. Cost of Battery, and Tyres and Tubes shall to be amortised over its useful life.
2. Asset Register shall be maintained for determination of depreciation and amortization cost.
3. Separate Cost Sheet shall be prepared for different types of vehicles.
Name of the Manufacturer:  
Address of the Manufacturer:  

Statement of Hired Outward Transportation Cost for the period ending....... 

<table>
<thead>
<tr>
<th></th>
<th>Quantitative Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A1 Quantity of goods transported – outward (UM)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>COST INFORMATION</td>
<td>(Rs)</td>
</tr>
<tr>
<td></td>
<td>B1 Hired Transport Charges</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B2 Transit Insurance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B3 Other (specify)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B4 Total Transportation cost (B1 to B3)</td>
<td></td>
</tr>
</tbody>
</table>
Name of the Manufacturer:  
Address of the Manufacturer:  

Statement of apportionment of Outward Transportation Cost to different goods and Determination of Averaged Outward Transport Cost for the period ending……..

<table>
<thead>
<tr>
<th>A</th>
<th>Quantitative Information</th>
<th>Total</th>
<th>Excisable goods</th>
<th>Specific Rated goods</th>
<th>Goods cleared for Export</th>
<th>Exempted goods</th>
<th>Goods Cleared on MRP Basis</th>
<th>Goods cleared from factory to customer</th>
<th>Goods cleared from Depot to Customer</th>
<th>Others (specify)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Product group 1</td>
<td>Product group 2</td>
<td>Product group 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A1</td>
<td>Goods transported Outwards (UM *)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A2</td>
<td>Goods Transferred Outward (KM)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| B | Outward Transport Cost (Rs) |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B1 | Directly allocated own fleet transportation cost (Rs) |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B2 | Basis of Apportionment of own fleet cost (Specify) |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B3 | Common own fleet transport cost to be apportioned |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B4 | Directly allocated hired transportation charges (Rs) |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B5 | Basis of Apportionment of hired transportation cost (Specify) |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B6 | Common hired transport charges to be apportioned |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B7 | Total Transport Cost (B1+B3+B4+B6) |       |                 |                     |                          |                |                          |                                          |                                          |                 |
| B8 | Averaged transport cost per unit (Rs) (B7/A1) |       |                 |                     |                          |                |                          |                                          |                                          |                 |

* UM is the Unit of measurement

Seal and signature of Company’s authorized representative

I/We, have verified above data and calculation in the appendix 1, 2 and 3 on test check basis with reference to the books of account, cost accounting records and other records. Based on the information and explanations given to me/us, and on the basis of generally accepted cost accounting principles and practices followed by the industry, I/We certify that the above cost data reflect true and fair view of averaged transport cost.

Date:  
Place:  

Seal & Signature of Cost Accountant  
Membership No.