



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)
CMA Bhawan, 3 Institutional Area,
Lodhi Road, New Delhi-110003

Phone : +91-11-24622156-57-58, 24666100
Fax : +91-11-43583642
E-mail : info@icmai.in; Website : www.icmai.in

PD/10/2015

15th October 2015

Shri Rajesh Sodhi

Commissioner of Central Excise
Chennai – II Commissionerate
Ministry of Finance, Department of Revenue
692, MHU Complex, Nandnam
Chennai - 600035

Reference: C.No. IV/16/75/2014-TECH dated 4th September 2015

Subject: Clarification on valuation of manufactured excisable good (components of Lift) as per rule 8 of Central Excise (Valuation) Rules, 2000

Dear Sir,

Please refer to your above mentioned letter seeking clarification on valuation of manufactured excisable good (components of Lift) as per rule 8 of Central Excise (Valuation) Rules, 2000.

The matter was placed before the Technical Cell of the Cost Accounting Standards Board of the Institute for discussion and its opinion. The Technical Cell noted the following definition of Cost of Production as per CAS-4:

“Cost of production shall consist of Material Consumed, Direct Wages and Salaries, Direct Expenses, Works Overheads, Quality Control cost, Research and Development Cost, Packing cost, Administrative Overheads relating to production. To arrive at cost of production of goods dispatched for captive consumption, adjustment for Stock of work-in-Process, finished goods, recoveries for sales of scrap, wastage etc. shall be made.”

Based on the above definition, the Technical Cell was of the opinion that any expenditure incurred after the completion of manufacturing process shall not be included in the cost of production.

Accordingly, *“no post manufacturing cost / expenditure shall form part of the cost of production for manufacture of the components / parts to be used in elevator.”*

Thanking you

Yours faithfully

(CMA JK Budhiraja)

Senior Director and
Secretary to the Cost Auditing Standards Board