

**FACTS on Determination of Cost of Production of Excisable Goods used for Captive Consumption (CAS-4) By Mr Sudhir Verma**

1. A shoe manufacturing company is having three units "A","B" and"C" at different places.
2. Unit"A" produces finished leather and transfers it to unit "B" at Cost of Production. For Unit "A"Excise Duty payable on its production is at NIL rate of duty.
3. Unit "B" produces shoes upper using finished Leather transferred from Unit "A". It transfers its output to unit "C" at cost price. Assessable value is computed for excise duty purpose @ 110% of cost of production and excise duty is being paid @ 6% of Assessable value.
4. Unit "C" is exempted from payment of excise duty.It assembles the upper, Sole, Insole, and produce complete shoe pair.
5. Some consultant (not being Cost Accountant) are advising for unit "B" (producing shoe upper)that the finished leather received from unit "A" (Excise duty payable at 0%) should also be valued and transferred from unit "A" to unit "B" it 110% of cost of production.