



**The Institute of Cost Accountants of India**  
(Statutory body under an Act of Parliament)

H.Q: CMA Bhawan, 12 Sudder Street, Kolkata – 700 016  
Delhi Office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi – 110 003

**IMPORTANT ANNOUNCEMENT**

The Institute is pleased to release the “Limited Revision” of the following Cost Accounting Standards. *The limited revision of the Cost Accounting Standards (CAS-6, CAS-7, CAS-12, CAS -16 and CAS 17) and consequential changes in other Cost Accounting Standards (CAS-8, CAS-9, CAS-10, CAS-11, CAS-12, CAS- 13, CAS-14, CAS-20, CAS-21, CAS-23 and CAS-24) shall be effective for the cost statements prepared on or after 1st April 2017*

*The Revised Cost Accounting Standards (CAS-6, CAS-7, CAS-12, CAS -16 and CAS 17) and the Paragraph wise summary of changes in CASs can be downloaded from Institute website:*

<http://icmai.in/CASB/index.php>

CMA Balwinder Singh  
Chairman, CASB

CMA J.K. Budhiraja  
Secretary, CASB

**Limited Revision of CASs**

**Limited Revision to CAS 6**

**Cost Accounting Standard on Material Cost**

The following is the text of the limited revision to CAS 6, Cost Accounting Standard on Material Cost, issued by The Institute of Cost Accountants of India.

Existing	Modified/Added/Deleted
<b>Definitions</b>	
<i>4.5 Imputed Costs: Notional cost, not involving cash outlay, computed for any purpose.</i>	<b>Deleted</b>
<i>Para 4.6, Para 4.7, Para 4.8 and Para 4.9 renumbered as</i>	<i>Para 4.5, Para 4.6, Para 4.7, Para 4.8</i>
<b>Added</b>	<i>4.9 Property, plant and equipment are tangible assets that:  (a) are held for use in the production of goods or supply of services, for rental to others, for administrative, selling or</i>



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	<i>distribution purposes; and (b) are expected to be used during more than one accounting period.</i>
<b>Principles of Measurement</b>	
<i>5.1.4 Spares which are specific to an item of equipment shall not be taken to inventory, but shall be capitalized with the cost of the specific equipment. Cost of capital spares and/or insurance spares, whether procured with the equipment or subsequently, shall be amortised over a period, not exceeding the useful life of the equipment.</i>	<i>5.1.4 Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment and depreciated accordingly. Otherwise, such items are classified as inventory and recognised in cost as and when these are consumed.</i>
<i>5.2.5 Material cost may include imputed costs not considered in financial accounts. Such costs which are not recognized in financial accounts may be determined by imputing a cost to the usage or by measuring the benefit from an alternate use of the resource.</i>	<b>Deleted</b>
<b>Disclosures</b>	
<b>8.8 Any cost imputed in arriving at the material cost shall be disclosed.</b>	<b>Deleted</b>
<i>Para 8.9 and Para 8.10 renumbered as</i>	<i>Para 8.8 and Para 8.9</i>



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## Limited Revision to CAS 7 Cost Accounting Standard on Employee Cost

The following is the text of the limited revision to CAS 7, Cost Accounting Standard on Employee Cost, issued by The Institute of Cost Accountants of India.

Existing	Modified/Added/Deleted
<b>Definitions</b>	
<p><b>4.7 Employee Cost: Benefit paid or payable for the service rendered by employees (including temporary, part time and contract employees) of an entity.</b></p> <p>Explanation:</p> <ol style="list-style-type: none"> <li>1. Contract employees include employees directly engaged by the employer on contract basis but does not include employees of any contractor engaged in the organisation.</li> <li>2. Compensation paid to employees for the past period on account of any dispute / court orders shall not form part of Employee Cost.</li> <li>3. Short provisions of prior period made up in current period shall not form part of the employee cost in the current period.</li> </ol> <p>Employee cost includes payment made in cash or kind.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>• <b>Employee cost</b> <ul style="list-style-type: none"> <li>○ Salaries, wages, allowances and bonus/ incentives.</li> <li>○ Contribution to provident and other funds.</li> <li>○ Employee welfare</li> <li>○ Other benefits</li> </ul> </li> <li>• <b>Employee cost – Future benefits</b></li> </ul>	<p><b>4.7 Employee Cost: Employee Benefits paid or payable in all forms of consideration given for the service rendered by employees (including temporary, part time and contract employees) of an entity.</b></p> <p>Explanation:</p> <ol style="list-style-type: none"> <li>1. Contract employees include employees directly engaged by the employer on contract basis but does not include employees of any contractor engaged in the organisation.</li> <li>2. Compensation paid to employees for the past period on account of any dispute / court orders shall not form part of Employee Cost.</li> <li>3. Short provisions of prior period made up in current period shall not form part of the employee cost in the current period.</li> </ol> <p>Employee cost includes payment made in cash or kind.</p> <p>For example:</p> <ul style="list-style-type: none"> <li>• <b>Employee cost</b> <ul style="list-style-type: none"> <li>○ Salaries, wages, allowances and bonus/ incentives.</li> <li>○ Contribution to provident and other funds.</li> <li>○ Employee welfare</li> <li>○ Other benefits</li> </ul> </li> <li>• <b>Employee cost – Future benefits</b></li> </ul>



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- Gratuity.
- Leave encashment.
- Other retirement/separation benefits.
- VRS/ other deferred Employee cost.
- Other future benefits

### Benefits generally include

- Paid holidays.
- Leave with pay.
- Statutory provisions for insurance against accident or health scheme.
- Statutory provisions for workman's compensation.
- Medical benefits to the Employees and dependents.
- Free or subsidised food.
- Free or subsidised housing.
- Free or subsidised education to children.
- Free or subsidised canteen, crèches and recreational facilities.
- Free or subsidised conveyance.
- Leave travel concession.
- Any other free or subsidised facility.
- Cost of Employees' stock option.

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- Free or subsidised canteen, crèches and recreational facilities.
- Free or subsidised conveyance.
- Leave travel concession.
- Interest Free or subsidised Loans
- Any other free or subsidised facility.
- Cost of Employees' stock option.



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**Limited Revision to CAS 12**  
**Cost Accounting Standard on Repairs and Maintenance Cost**

The following is the text of the limited revision to CAS 12, Cost Accounting Standard on Repairs and Maintenance Cost, issued by The Institute of Cost Accountants of India.

Existing	Modified/Added/Deleted
<b>Definitions</b>	
<b>Added</b>	<b>4.7 Property, plant and equipment are tangible assets that:</b>  <b>(a) are held for use in the production of goods or supply of services, for rental to others, for administrative, selling or distribution purposes; and</b>  <b>(b) are expected to be used during more than one accounting period.</b>
<b>Para 4.7 and 4.8 renumbered as</b>	<b>Para 4.8 and 4.9</b>
<b>Principles of Measurement</b>	
<b>5.8 High value spare, when replaced by a new spare and is reconditioned, which is expected to result in future economic benefits, the same shall be taken into stock. Such a spare shall be valued at an amount that measures its service potential in relation to a new spare which amount shall not exceed the cost of reconditioning the spare. The difference between the total of the cost of the new spare and the reconditioning cost and the value of the reconditioned spare should be treated as repairs and maintenance cost.</b>  Example: The cost of new spare is Rs. 1 crore and the value of the existing spare after reconditioning is estimated at Rs. 20 lacs, the difference of Rs. 80 lacs should be	<b>5.8 High value spare, when replaced by a new spare and is reconditioned, shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment and depreciated accordingly. Otherwise, such items are classified as inventory and recognised in cost as and when they are consumed.</b>  Example: A company purchased equipment for Rs. 10 crore and insurance spare for Rs. 1 crore. If the company is covered under IndAS, such spare is capitalized as Property, Plant & Equipment. After use for five years, the equipment broke down and a part was replaced with the aforesaid insurance spare. After five years, the depreciated value of equipment is Rs. 5 crore. As property, plant



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treated as repairs and maintenance cost.

and equipment are depreciated when they are available for use, accordingly the depreciated value of new spare is Rs. 50 lakhs. The old spare was reconditioned and the cost of reconditioning is Rs. 10 lakh. As per estimated life of the old spare for future economic benefits, the current market value of the reconditioned old spare has been estimated at Rs. 25 lakhs. The amount to be treated in repairs and maintenance is Rs. 35 lakhs as follows:

Rs. in Crore

A. Equipment Cost 10.00

B. Cost of New Spare 1.00

**Total Cost (A+B) 11.00**

Depreciation for 5 years 5.50

Depreciated value of  
Equipment & Spare **5.50**

Reconditioning cost  
of old Spare 0.10

Depreciated Value  
of old Spare 0.50

**Book Value of  
Reconditioned spare 0.60**

Current market value of  
reconditioned spare to be  
restated in Book of Account 0.25

**Amount to be treated  
in Repairs and Maintenance 0.35**



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## Limited Revision to CAS 16

### Cost Accounting Standard on Depreciation and Amortisation

The following is the text of the limited revision to CAS 16, Cost Accounting Standard on Depreciation and Amortisation, issued by The Institute of Cost Accountants of India.

Existing	Modified/Added/Deleted
<b>Definitions</b>	
<p><b>4.7 Depreciable fixed and Intangible assets are assets which:</b></p> <p><i>(i) are expected to be used during more than one accounting period;</i></p> <p><i>(ii) have a limited useful life; and</i></p> <p><i>(iii) are held by an enterprise for use in the production or supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of business.</i></p> <p>Land is not a depreciable asset as it does not have a defined useful life.</p>	<p><b>4.7 Depreciable property, plant and equipment are tangible assets that:</b></p> <p><i>(a) are held for use in the production of goods or supply of services, for rental to others, for administrative, selling or distribution purposes; and</i></p> <p><i>(b) are expected to be used during more than one accounting period.</i></p> <p>Land is not a depreciable asset as it does not have a defined useful life.</p>
<b>Added</b>	<b>4.8 Impairment Loss: An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.</b>
<b>Added</b>	<b>4.9 Intangible Asset: An intangible asset is an identifiable non-monetary asset without physical substance.</b>
<b>Para 4.8 and 4.9 renumbered as</b>	<b>Para 4.10 and 4.11</b>
<b>Principles of Measurement</b>	
<p><b>5.5 Depreciation shall be considered from the time when a depreciable asset is first put into use.</b></p> <p>An asset which is used only when the need arises but is always held ready for use. Example: fire extinguisher, stand by</p>	<p><b>5.5 Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.</b></p> <p>An asset which is used only when the need</p>



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<p>generator, safety equipment shall be considered to be an asset in use. Depreciable assets will be considered to be put into use when commercial production of goods and services commences.</p> <p>Depreciation on an asset which is temporarily retired from production of goods and services shall be considered as abnormal cost for the period when the asset is not in use.</p>	<p>arises but is always held ready for use.</p> <p>Example: fire extinguisher, stand by generator, safety equipment shall be considered to be an asset available for use.</p> <p>Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is de-recognized.</p>
<p><b>5.12</b><i>The method of amortisation of intangible asset shall reflect the pattern in which the economic benefits accrue to entity.</i></p>	<p><b>5.12.</b> <i>The method of amortisation of intangible asset shall reflect the pattern in which the economic benefits are expected to be consumed by the entity.</i></p>
<p><b>5.14</b> <i>Spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class of asset was retired or use of that asset was discontinued, shall form part of that asset. The depreciable amount of such spares shall be allocated over the useful life of the asset.</i></p>	<p><b>5.14</b> <i>Items such as spare parts, stand-by equipment and servicing equipment are recognised as property, Plant and Equipment when they meet the definition of Property, Plant and Equipment and depreciated accordingly. Otherwise, such items are classified as inventory and recognised in cost as and when they are consumed.</i></p>
<p><b>Assignment of Costs</b></p>	
<p><b>Added</b></p>	<p><b>6.3</b> <i>Depreciation on an asset which if remains idle or temporarily retired from production of goods and services or remains idle shall be considered as abnormal cost for the period when the asset is not in use.</i></p>
<p><b>Added</b></p>	<p><b>6.4</b> <i>The depreciation charged for a period is usually recognised in cost of goods or services.</i></p>
<p><b>Added</b></p>	<p><b>6.5</b> <i>Similarly, wherever the property plant &amp; equipment are used for producing another asset, the related depreciation shall form part of cost of such asset.</i></p>





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## Limited Revision to CAS 17

### Cost Accounting Standard on Interest and Financing Charges

The following is the text of the limited revision to CAS 17, Cost Accounting Standard on Interest and Financing Charges, issued by The Institute of Cost Accountants of India.

Existing	Modified/Added/Deleted
<b>Definitions</b>	
<p><b>4.7 Interest and Finance charges: Interest, including any payment in the nature of interest for use of non-equity funds and incidental cost that an entity incurs in arranging those funds.</b></p> <p><b>Examples are:</b></p> <ol style="list-style-type: none"> <li>1. interest and commitment charges on bank borrowings, other short term and long term borrowings:</li> <li>2. amortisation of discounts or premium related to borrowings.</li> <li>3. amortisation of ancillary cost incurred in connection with the arrangements of borrowings.</li> <li>4. Financing Charges in respect of finance leases and other similar arrangements.</li> <li>5. exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest costs.<sup>1</sup></li> <li>6. Cash discount allowed to customers.</li> </ol> <p>The terms Interest and financing charges, finance costs, and borrowing costs are used interchangeably.</p> <hr style="width: 30%; margin-left: 0;"/> <p><i>1. Adapted from CIMA Terminology</i></p>	<p><b>4.7 Interest and Finance charges: Interest and Financing Charges are interest and other costs incurred by an entity in connection with the financing arrangements.</b></p> <p>Examples are:</p> <ol style="list-style-type: none"> <li>1. Interest and commitment charges on bank borrowings, other short term and long term borrowings:</li> <li>2. Financing Charges in respect of finance leases and other similar arrangements: and</li> <li>3. Exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest costs.</li> </ol> <p>The terms Interest and financing charges, finance costs, and borrowing costs are used interchangeably.</p>
<b>Principles of Measurement</b>	
<b>Added</b>	<b>5.1 Interest and Financing Charges shall be</b>



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	<i>measured in accordance with the Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules 2006 or with the Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules 2015, as applicable.</i>
<i>Para 5.1, Para 5.2, Para 5.3, Para 5.4, Para 5.5 and Para 5.6 renumbered as</i>	<i>Para 5.2, Para 5.3, Para 5.4, Para 5.5, Para 5.6 and Para 5.7</i>
<b>Effective date</b>	
<b>9 Effective date:</b>  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.	<b>Deleted</b>

## Consequential Changes in Cost Accounting Standards

1. Substitution of “**Profit on sale of fixed assets and investments**” with “**Profit on sale of property, plant and equipment and investments**” in CAS 24.
2. Substitution of Definition of “**Interest and Finance charges**” in the Cost Accounting Standards CAS-8, CAS-9, CAS-10, CAS-11, CAS-12, CAS-13, CAS-14, CAS-20, CAS-21 and CAS-23. The definition is already provided above.

***Effective date: The limited revision of the Cost Accounting Standards (CAS-6, CAS-7, CAS-12, CAS -16 and CAS 17) and consequential changes in other Cost Accounting Standards (CAS-8, CAS-9, CAS-10, CAS-11, CAS-12, CAS-13, CAS-14, CAS-20, CAS-21, CAS-23 and CAS-24) shall be effective for the cost statements prepared on or after 1st April 2017.***