



## CAS-4 (REVISED 2018)

### **COST ACCOUNTING STANDARD ON COST OF PRODUCTION / ACQUISITION / SUPPLY OF GOODS / PROVISION OF SERVICES**

The following is the Cost Accounting Standard (CAS-4) (Revised 2018) on “**COST OF PRODUCTION / ACQUISITION / SUPPLY OF GOODS / PROVISION OF SERVICES**” issued by the Council of the Institute of Cost Accountants of India (ICAI). This Standard replaces CAS-4 on Cost of Production for Captive Consumption issued earlier. The CAS-4 (Revised 2018) deals with the determination of cost of production or acquisition or supply of goods or provision of services or both. In this Standard, the standard portions have been set in **bold italic** type. These should be read in the context of the background material which has been set in normal type.

#### **1. Introduction**

**1.1.** Cost Accounting Standard 4 (CAS-4) was issued to specify the principles for determination of cost of production for valuation of goods meant for captive consumption, as required under the Central Excise Valuation (Determination of Price of Excisable Goods) Rules 2000. CBEC, vide circular No. 692/8/2003-CX dated 13-2-2003 had clarified that in case of captive consumption, cost calculation should be as per CAS-4 only.

**1.2.** With the introduction of Goods and Services Tax [GST] with effect from July 1, 2017, the concept of ‘captive consumption’ is no more relevant for computing the tax incidence. However, the concept of cost of production or manufacture is relevant under the GST laws where the value of supply of goods or services or both are determined based on cost.

1.2.1. As per section 15(1) of the CGST Act, where the supplier and the recipient of the supply are not related and price is the sole consideration for the supply, the value of supply of goods or services or both shall be the transaction value. Section 15(4) provides that where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed. These have been prescribed under Chapter IV of the CGST Rules, 2017.

1.2.2. Rules 27, 28, & 29 of the CGST Rules provide for methodologies for determination of value of supply under certain situations.

As per Rule 27, where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall be the open market value of



such supply; or the sum total of consideration in money and equivalent; or the value of supply of goods or services or both of like kind and quality.

As per Rule 28, value of the supply of goods or services or both between distinct or related persons other than where the supply is made through an agent, shall be the open market value of such supply; or the value of supply of goods or services of like kind and quality.

Proviso to Rule 28 provides that where goods are intended for further supply as such by the recipient, the value shall be an amount equivalent to 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person.

Where a recipient is eligible for input tax credit, the value declared in the invoice shall be deemed to be the open market value of the goods or services.

As per Rule 29, value of supply of goods between the principal and his agent shall be the open market value of the goods being supplied, or at the option of the supplier, be 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient.

- 1.2.3. Rules 27, 28, & 29, however, further provide that if the value of supply is not determinable under the said Rules, the same shall be determined by the application of Rule 30 or Rule 31 in that order.

As per Rule 30, the value shall be one hundred and ten percent of the cost of production or the cost of acquisition of such goods or the cost of provision of such services.

Rule 31 specifies residual method for determination of value of supply of goods or services or both. Where the value of supply of goods or services or both cannot be determined under Rule 27 to 30, the same shall be determined using reasonable means consistent with the principles and the general provisions of section 15 and the provisions of Chapter-IV of CGST Rules.

In the case of supply of services, the supplier may opt directly for Rule 31, ignoring Rule 30.

- 1.3. *This Standard deals with the principles and methods of classification, measurement and assignment for the determination of cost of production or acquisition or supply of goods or provision of services as required under the provisions of GST Acts/Rules.***



## 2. Objective

***The objective of this Standard is to bring uniformity and consistency in the principles and methods of determining the cost of production or acquisition or supply of goods or provision of services as required under the provisions of GST Acts/Rules.***

The cost statements prepared based on this Standard will be used for determination of value of supply of goods or services or both. This Standard and its disclosure requirement will provide transparency in the valuation of goods and services.

This standard shall further ensure adequate accuracy in computing Transaction Value of supply for goods or services or both, where the open market value of supply of goods and services or value of supply of goods or services of like kind and quality are not available or same is not verifiable.

## 3. Scope

***This standard should be applied to cost statements which require classification, measurement, assignment, presentation, and disclosure of related costs for determination of the following under the relevant provisions of GST Acts/Rules.***

- (i) Determination of cost of production of goods;***
- (ii) Determination of cost of acquisition of goods;***
- (iii) Determination of cost of supply of goods;***
- (iv) Determination of cost of provision/supply of services ; and***
- (v) Determination of value of supply of goods or services as per open market value or as per goods or services of like kind and quality.***

## 4. Definitions

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

- 4.1. *Abnormal cost: An unusual or atypical cost whose occurrence is usually irregular and unexpected and/or due to some abnormal situation of the production or operation.***
- 4.2. *Actual Capacity Utilization: Actual capacity utilization is the volume of production achieved or services provided in a specified period, expressed as a percentage of installed capacity.***

Volume may be measured in terms of units produced or services provided or equivalent machine or man hours, as applicable.



Actual capacity utilization is usually expressed as a percentage of installed capacity.

**4.3. *Administrative Overheads: Cost of all activities relating to general management and administration of an entity.***

Administrative overheads shall exclude production overheads, marketing overheads and finance cost. Production overheads include administration cost relating to production, factory, work or manufacturing.

**4.4. *Allocation of Overheads: Allocation of overheads is assigning total amount of an item of cost directly to a cost object.***

**4.5. *Amortization: Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.***

**4.6. *Apportionment of Overheads: Distribution of overheads to more than one cost objects on some equitable basis.***

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

**4.8. *Cost: Cost is a measurement, in monetary terms, of the amount of resources used for the purpose of production of goods or rendering services.***

**4.9. *Cost of Purchase/ Acquisition: The costs of purchase/ acquisition of Goods comprise the purchase price, import duties and other taxes (net of trade discounts, rebate, taxes and duties), and transport, handling, storage and other costs directly attributable to the acquisition of goods and services.***

Cost of acquisition of goods or services is conceptually synonymous to cost of purchase of goods.

**4.10. *Cost of Production of goods: Cost of production of a product consists of materials consumed, Direct Wages and Salaries, direct expenses, works overheads, quality control costs, research and development costs, packing costs, administrative overheads relating to production.***

To arrive at cost of production of goods dispatched for captive consumption, adjustment for stock of Work-in-progress, finished goods, recoveries for sales of scrap, wastages etc. shall be made.

The terms Cost of Production or Cost of Manufacturing or Cost or Processing denote the same meaning and are used interchangeably.



**4.11. Cost of Provision of Service:** *Cost of provision of services consists of cost of materials consumed, direct employee costs, direct expenses, quality control costs, research and development costs, operation overheads and administrative overheads relating to provision of services.*

**4.12. Defectives:** *Materials Product or intermediate products that do not meet quality standards. This may include reworks or rejects.*

An intermediate product is a product that might require further processing before it is saleable to the ultimate consumer.

**4.12.1. Reworks:** *Defectives which can be brought up to the standards by putting in additional resources.*

Rework includes repairs, reconditioning, retro-fitment and refurbishing.

**4.12.2. Rejects:** *Defectives which cannot meet the quality standards even after putting in additional resources.*

Rejects may be disposed off as waste or sold for salvage value or recycled in the production process.

**4.13. Depreciation:** *Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.*

**4.13.1 Depreciable amount:** *The cost of an asset, or other amount substituted for cost in the financial statement, less its residual value.*

**4.13.2 Depreciable 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 other, for administrative, selling or distribution purposes; and*

*(b) are expected to be used during more than one accounting period.*

Land is not a depreciable asset as it does not have a defined useful life.

**4.13.3 Useful life of asset:** *Useful life of asset is either:*

*(a) the period over which a asset is expected to be available for use by an entity: or*

*(b) the number of production or similar units expected to be obtained from use of the asset by the entity.*

**4.14. Development Cost:** *Development cost Development cost is the cost for application of*



**research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.**

**4.15. Direct Expenses: Expenses relating to manufacture of a product or rendering a service, which can be identified or linked with the cost object other than direct material cost and direct employee cost.**

**4.16. 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.**

Explanation:

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.
2. Compensation paid to employees for the past period on account of any dispute / court orders shall not form part of Employee Cost.
3. Short provisions of prior period made up in current period shall not form part of the employee cost in the current period. Employee cost includes payment made in cash or kind.

**4.16.1. Direct Employee Cost: Employee cost, which can be attributed to a Cost object in an economically feasible way.**

**4.16.2. Indirect Employee Cost: Employee cost, which cannot be directly attributed to a particular cost object.**

**4.17. Excess Capacity Utilization: Excess capacity utilization is the difference between installed capacity and the actual capacity utilization when actual capacity utilization is more than installed capacity.**

**4.18. Idle Capacity: Idle capacity is the difference between installed capacity and the actual capacity utilization when actual capacity utilization is less than installed capacity.**

**4.18.1. Abnormal Idle Capacity: Abnormal idle capacity is the difference between normal capacity and actual capacity utilization where the actual capacity is lower than the normal capacity.**

**4.18.2. Normal Idle Capacity: Normal idle capacity is the difference between**



*installed capacity and normal capacity.*

**4.19. Installed Capacity:** *Installed capacity is the maximum capacity of producing goods or providing services, according to the manufacturer's specifications or determined through an expert study.*

**4.20. Interest and Finance Costs:** *Interest and Financing Charges are interest and other costs incurred by an entity in connection with the arrangements.*

Examples are:

1. Interest and commitments charges on bank borrowings, other short term and long term borrowings:
2. Financing charges in respect of finance leases and other similar arrangements:  
and
3. Exchange difference arising out from foreign currency borrowings to the extent they are regarded as an adjustment to the interest costs.

The terms interest and financing charges, finance costs and borrowing costs are used interchangeably.

**4.21. Joint Costs:** *Joint costs are the cost of common resources used to produce two or more products or services simultaneously.*

**4.22. 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.*

**4.23. Material Consumed:** *Material Consumed includes materials directly identified for production of goods or provision of Services such as:*

- (a) Indigenous materials;*
- (b) Imported materials;*
- (c) Bought out items;*
- (d) Self-manufactured items;*
- (e) Process materials and other items;*
- (f) Materials received free of cost or at concessional value from the buyer;*
- (g) Accessories which are supplied along with the final product.*

Cost of material consumed consists of cost of material, freight inwards, insurance and other expenditure directly attributable to procurement and goods used for providing free warranty. (Net off duties and taxes, Trade discount, rebates, subsidies and other similar items)



**4.24. Materials Cost: The cost of material used for the purpose of production of a product or rendering a service.**

**4.24.1. Direct Materials: Materials, the costs of which can be attributed to a cost object in an economically feasible way.**

**4.24.2. Indirect Materials: Materials, the costs of which cannot be directly attributed to a particular cost object.**

**4.25. Normal Capacity: Normal Capacity is the production achieved or achievable on an average over a numbers of period or season under normal circumstances taking into account the loss of capacity resulting from planned maintenance.**

**4.26. Overheads: Overheads comprise costs of indirect materials, indirect employees and indirect expenses.**

**4.27. Packing Materials: Materials used to hold, identify, describe, store, protect, display, transport, promote and make the product marketable.**

**4.28. Packing Material Cost: The cost of material of any nature used for the purpose of packing of product.**

**4.29. Production or Operation Overheads: Indirect costs involved in the production of a product or in providing service.**

The terms Production Overheads, Operation Overheads, Factory Overheads, Works Overheads and Manufacturing Overheads denotes the same meaning and are used interchangeably.

Production or Operation Overheads shall include administration cost relating to production, factory, works or manufacturing and providing of services.

In addition, Production or Operation Overheads shall be classified on the basis of behaviour such as variable Production or Operation Overheads, semi-variable Production or Operation Overheads and fixed Production or Operation Overheads.

- Variable Production or Operation Overheads comprise of expenses which vary in proportion to the change of volume of production or activity or services provided.
- Semi-variable Costs are the costs that contain both fixed and variable elements. They partly change with the change in the level of activity.





- Fixed Overheads are the costs which do not vary with the change in volume of production or activity or service provided.

**4.30. Quality Control Cost:** *Cost of resources consumed towards quality control procedures.*

**4.31. Repairs & Maintenance Cost:** *Cost of all activities which have the objective of maintaining or restoring an asset in or to a state in which it can perform its required function at intended capacity and efficiency.*

**4.32. Research cost:** *Research cost is the cost of original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.*

**4.33. Royalty:** *Royalty is any consideration for the use of asset (tangible and/or intangible) to the owner.*

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

**4.35. Selling Overheads:** *Selling overheads are the expenses related to sale of products or services and include all indirect expenses incurred in selling the products or services.*

**4.36. Standard Cost:** *A predetermined cost of a product or service based on technical specifications and efficient operating conditions.*

**4.37. Support Service Cost Centre:** *The cost centre which primarily provides auxiliary services across the entity.*

**4.38. Technical Know-how Fee:** *Technical Know-how Fee is a lump sum or periodical amount payable to provider of Technical Know-how in the form of design, drawings, training of personnel, or practical knowledge, skills or experience.*

**4.39. Waste and Spoilage:**

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

**4.39.2. Spoilage:** *Production that does not meet the quality requirements or specification cannot be rectified economically*

## 5. Principles of Measurement

**5.1. Cost of production or acquisition of goods or provision of services shall be measured**



*for each type of goods or services separately.*

- 5.2. *Cost of production or acquisition or supply of each type of goods shall be the aggregate of direct and indirect costs relating to the production or acquisition or supply activity of those goods.*
- 5.3. *Cost of provision of each type of service shall be the aggregate of direct and indirect cost relating to that service activity.*
- 5.4. *Material cost shall be measured separately for each type of material, that is, for indigenous material, imported material, bought out components, process materials, self-manufactured items, and accessories for each type of goods or services.*
- 5.5. *The material cost of normal scrap/defectives which are rejects shall be included in the material cost of goods produced or services provided. The material cost of actual scrap/ defectives, not exceeding the normal quantity shall be adjusted in the material cost of good production. Realized or realizable value of scrap or waste shall be deducted for determination of cost of production or acquisition of goods or provision of services. Material Cost of abnormal scrap /defectives should not be included in material cost but treated as loss after deducting the realisable value of such scrap / defectives.*
- 5.6. *Employee Cost for each type of goods or services shall be measured separately.*
- 5.7. *The cost of utilities consumed for the production or acquisition or supply of each type of goods or provision of services shall be measured for each type of utility separately i.e. power, electricity, water, steam & gas.*
- 5.8. *Cost of packing material used for the production or acquisition or supply of goods or provision of services shall be measured for each type of goods or services separately.*

If goods are transferred / dispatched or supplied duly packed, the cost of such packing shall be included in the cost of goods transferred/dispatched or supplied.
- 5.9. *Direct Expenses for the production or acquisition or supply of goods or provision of services shall be measured for each type of goods or services separately.*
- 5.10. *High value spare 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.*
- 5.11. *Repairs and maintenance cost for the production or acquisition or supply of goods or*



***provision of services shall be measured for each type of goods or services separately.***

- 5.12. *Depreciation and Amortisation cost for the production or acquisition or supply of goods or provision of services shall be measured for each type of goods or services separately.***

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.

- 5.13. *Research & Development cost for the production or acquisition or supply of goods or provision of services shall be measured for each type of goods or services separately.***

- 5.14. *Cost incurred for the production or acquisition or supply of goods or provision of services after split-off point shall be measured for each type of Joint/By-Product or service for the resources consumed.***

In case the production process generates scrap or waste, realized or realizable value net of cost of disposal, of such scrap and waste shall be deducted from the cost of Joint Product.

- 5.15. *Royalty and Technical Know-how Fee for production or acquisition or supply of goods or provision of services paid or incurred in lump-sum or which are in the nature of 'one-time' payment, shall be amortised on the basis of the estimated output or benefit to be derived from the related Technical Know-how.***

- 5.16. *Royalty paid as a consideration for use of asset or on technology transfer, in any form, will form part of cost, however royalty paid on brand usage shall not form part of cost of production.***

- 5.17. *Quality Control cost incurred in-house for the production or acquisition or supply of goods or provision of services shall be the aggregate of the cost of resources used in the Quality Control activities in relation to each type of goods or service. The cost of resources procured from outside shall be determined at invoice or agreed price including duties and taxes, and other expenditure directly attributable thereto net of discounts, taxes and duties refundable or to be credited as input tax credit.***

- 5.18. *Production or Operation Overheads representing procurement of resources shall be determined at invoice or agreed price including duties and taxes, and other expenditure directly attributable thereto net of discounts; taxes and duties refundable or to be credited as input tax credit. Production or Operation Overheads other than those referred to above shall be determined on the basis of cost incurred***



***in connection therewith.***

Industry Specific Operating Expenses: In case of process peculiarity of a particular industry, it may not be easily practicable to determine element-wise conversion cost of a product. In such situation, the company may calculate cost center/cost object-wise conversion cost. It may be summarized under 'industry specific operating expenses', instead of element-wise conversion cost e.g. Textile industry-spinning, weaving, processing.

- 5.19. Any abnormal cost, where it is material and quantifiable, shall not form part of the cost of production or acquisition or supply of goods or provision of service.***
- 5.20. Interest and other Finance costs shall not form part of cost of production or acquisition of goods or provision of services.***
- 5.21. Impairment loss on assets shall not form part of cost of production or acquisition or supply of goods or provision of services.***
- 5.22. Imputed costs shall not form part of cost of production or acquisition or supply of goods or provision of services.***
- 5.23. Cost of production or acquisition or supply of goods or provision of services shall include cost of inputs received free of cost or at concessional value, net of input tax credit, from the recipient of goods or services and amortisation cost of free tools, pattern, dies, drawings, blue prints, technical maps, charts, engineering, development, art work, design work, plans, sketches, and the like necessary for the production or acquisition or supply of goods or provision of services.***
- 5.24. Cost of production or acquisition or supply of goods or provision of services shall also include cost of rework, reconditioning, retro-fitment, production or operation overheads and other costs allocable to such activity, adjustment for stock of work-in-process and recoveries from sales of scrap and wastages and the like necessary for the production or acquisition or supply of goods or provision of services.***
- 5.25. Subsidy or Grant or Incentive or any such payment received or receivable, from any entity other than the recipient of goods or service, with respect to any element of cost shall be deducted for ascertainment of the cost of production or acquisition or supply of goods or provision of services to which such amounts are related.***
- 5.26. Any Grants recognized as deferred income in the financial statements shall also be reduced from the relevant element of cost of production or acquisition or supply of goods or provision of services.***



- 5.27. The cost of production or acquisition or supply of goods or provision of services shall be determined based on the normal capacity or actual capacity utilization whichever is higher and unabsorbed cost, if any, shall be treated as abnormal cost.**
- 5.28. Fines, penalties, damages, demurrage and similar levies paid to statutory authorities or other third parties shall not form part of the cost of production or acquisition or supply of goods or provision of services.**
- 5.29. The forex component of imported material or other element of cost shall be converted at the rate on the date of the transaction. Any subsequent change in the exchange rate till payment or otherwise shall not form part of the cost of production or acquisition or supply of goods or provision of services.**
- 5.30. Credits or recoveries relating to any element of cost including the facilities provided to outside parties, which are material and quantifiable, shall be deducted from the total cost of production or acquisition or supply of goods or provision of services.**
- 5.31. Work in process/progress stock shall be measured at cost computed for different stages of completion.**

Stock of work-in-process/progress shall be valued at cost on the basis of stages of completion as per cost accounting principles. Opening and closing stock of work-in-process/progress shall be adjusted for computation of cost of production or acquisition of goods or provision of services.

## **6. Assignment of Cost**

- 6.1. Cost of production or acquisition or supply of goods or provision of services shall be determined on 'normal cost' basis. For this purpose, any abnormal and non-recurring costs, abnormally low plant utilization, abnormal rejections, accidents, strikes, fires, unexpected Court orders etc. shall be ignored.**
- 6.2. While assigning various elements of cost, traceability to goods or services in an economically feasible manner shall be the guiding principle. The cost which can be traced directly to each type of goods or services shall be directly assigned.**
- 6.3. Assignment of cost of producing or acquisition or supply of goods or providing services, which are not directly traceable to the goods or services shall be based on either of the following two principles;**
- 6.3.1. Cause and Effect – Cause is the process or operation or activity and effect is the incurrence of cost.**



- 6.3.2. Benefits received – to be apportioned to various cost objects in proportion to the benefits received by them.**
- 6.4. The variable production or operation overheads shall be absorbed based on actual production.**
- 6.5. The fixed production or operation overheads and other similar item of fixed costs such as quality control cost, research and development costs and administrative overheads relating to manufacturing shall be absorbed in the cost of production or acquisition or supply of goods or provision of services on the basis of the normal capacity or actual capacity utilization of the plant or service centre, whichever is higher.**
- 6.6. In case a production process results in more than one product being produced simultaneously, treatment of joint products and by-products shall be as under:**
- 6.6.1. In case joint products are produced, joint costs incurred upto the split off point are allocated between the products on a rational, equitable, and consistent basis.**
- Joint cost incurred shall be assigned to the joint products based on benefits received measured by using the physical unit method or equivalent cost or net realisable value at split off point. Net realisable value for this purpose means the net selling price per unit multiplied by quantity sold, adjusted for the post-split off costs.*
- 6.6.2. In case by-products are produced, the net realisable value of by-products is credited to the manufacturing cost of the main product.**
- 6.7. In case a process results in more than one service being produced simultaneously, joint costs incurred upto the split off point are allocated between the services on a rational, equitable, and consistent basis.**
- 6.8. Miscellaneous Income relating to production or operations shall be adjusted in the determination of cost of production or acquisition or supply of goods or of cost of providing a service.**

For example, income from sale of empty containers used for procurement of raw material shall be deducted in determination of manufacturing cost.

## **7. Presentation**

- 7.1. Cost Statements should be prepared as per the applicable format given in the Appendix to this Standard or as near thereto as possible, as listed below:**



- 7.1.1. Appendix-1: Statement of Cost of Production of the taxable goods**
  - 7.1.2. Appendix-2: Statement of Cost of Provision/Supply of the taxable Services**
  - 7.1.3. Appendix-3: Statement of Cost of Acquisition of taxable goods**
  - 7.1.4. Appendix-4: Statement of Open Market Value / Value as per Goods or Services of like kind and quality**
- 7.2. Companies covered under the Companies (Cost Records and Audit) Rules, 2014 issued under section 148 of the Companies Act 2013 shall prepare and present the cost records and cost statements in compliance with the said Rules, applicable Cost Accounting Standards, and Generally Accepted Cost Accounting Principles issued by the Institute.**
- 7.3. Companies not covered under these Rules and all other entities shall prepare and present the cost records and cost statements in compliance with the applicable Cost Accounting Standards and Generally Accepted Cost Accounting Principles issued by the Institute.**
- 7.4. Cost Statements as certified by the Cost Accountant in practice should enable the business entity to determine value of taxable goods or services at the time of supply and issue of tax invoice as required under section 31 of the CGST Act.**
- 7.5. In cases where it may not be possible to determine true and fair cost of goods or services at the time of supply of such goods or services or both, the company should compute the cost on budgeted/estimated/standard cost basis and the Cost Accountant may issue provisional Cost certificate on such basis. In such cases, final certificate shall be issued after costs are finalized. In case of any variations in the costs and hence the value of goods or services, the supplier shall issue a Debit or Credit Note as per provisions of section 34 of the CGST Act.**

Examples of such cases are – Input costs or prices based on the LME prices; existence of cost escalation clauses in the supply contract; or where future costs of inputs and input services are unpredictable, uncertain and volatile, etc.

**7.6. Certified Cost Statements shall be presented with the following periodicity:**

- 7.6.1. In case of registered person, whose aggregate turnover in the preceding financial year did not exceed the limits prescribed in Section 10 (1) of the CGST Act 2017, the Certified Cost Statement shall be issued for a six month period. For example costs for April to September shall be certified in March**



*of the same year.*

**7.6.2. In case of registered person, whose aggregate turnover in the preceding financial year exceeds the limits prescribed in Section 10 (1) of the CGST Act 2017, Certified Cost Statement shall be issued on quarterly basis e.g. costs for July to September shall be certified in June of the same year.**

**7.6.3. Certified Cost Statement shall also be issued for the completed financial year, annually based on audited accounts on or before 31<sup>st</sup> December of the next financial year.**

**7.7. The cost statements shall be prepared by the Management and authenticated & signed by any Key Management Personnel in case of company, partner in case of partnership firm and proprietor in case of proprietary firm.**

**7.8. The statement shall be certified by a Cost Accountant in practice after the same is duly authenticated as above. The certificate may contain any qualification or disclosures as required.**

## **8. Disclosures**

**8.1. Disclosure shall be made only where material, significant, and quantifiable.**

**8.2. If there is any change in cost accounting principles and practices during the period under review which may materially affect the cost of production or acquisition of goods or provision services in terms of comparability with previous period(s), the same shall be disclosed.**

**8.3. If opening stock and closing stock of work-in-progress are not readily available for certification purpose, the same should be disclosed.**

**8.4. Any fact which may have material impact on the costs as certified should be disclosed.**

## **9. Effective date**

**This Cost Accounting Standard shall be effective from 1<sup>st</sup> March 2019 and will apply for preparation and certification of Cost Statements for determining the Cost of Production / Acquisition / Supply of Goods / Provision of Services as required under the provisions of GST Act/Rules, from the financial year 2018-19.**





Statement of Cost of Production of the taxable goods

(refer Rule 30 of the CGST Rules, 2017)

<b>A General Information</b>						
1	Name of the Manufacturer					
2	Address of the Manufacturer					
3	GSTIN of the Manufacturer					
4	Description of the Product					
5	HSN Code of the Product					
6	Period of validity of Cost Statement					
<b>B Quantitative Information</b>					<b>Unit</b>	<b>Quantity</b>
1	Quantity produced					
<b>C Cost Information</b>		<b>Unit</b>	<b>Quantity</b>	<b>Rate</b>	<b>Amount</b>	<b>Cost per Unit</b>
1	Cost of Material (Specify)					
	A.					
	B.					
	C.					
	Others					
2	Process Materials/Chemicals					
3	Cost of Utilities (specify)					
	A.					
	B.					
	C.....					
4	Direct Employee Cost					
5	Direct Expenses					
6	Consumable Stores and Spares					
7	Repairs and Maintenance Cost					
8	Quality Control Cost					
9	Research & Development Cost					
10	Technical Know-how Fee/Royalty, if any					
11	Depreciation/Amortization					
12	Other Production Overheads					



13	Administrative Overheads relating to cost of production					
14	Industry specific Operating Expenses					
15	Total(1 to 14)					
16	Work-in-Progress Adjustments					
17	Less Credit for Recoveries, if any					
18	Net Amount (15+/-16-17)					
19	Packing Cost					
20	Cost of Inputs received free or at concessional value from or on behalf the recipient of the taxable goods (net of input tax credit)					
21	Amortised cost of moulds, tools, dies and patterns, etc. received free of cost from or on behalf of the recipient of the taxable goods.					
22	Cost of Production (18 to 21)					

We hereby affirm as follows –

1. We have maintained the cost records as required.
2. The cost statement has been prepared in compliance with the applicable Cost Accounting Standards and generally accepted cost accounting principles.

Date: \_\_\_\_\_ Seal & Signature of the Company's Authorised Representative

I/We have verified the aforesaid cost data 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 our test checks performed and on the basis of Cost Accounting Standards and generally accepted cost accounting principles and practices followed by the Industry, I/we certify that the above cost data reflects true and fair view of the cost of production or manufacture of the above good.

Date: \_\_\_\_\_ Seal & Signature of the Cost Accountant

Place: \_\_\_\_\_ Membership No.: \_\_\_\_\_ Firm Reg. No.: \_\_\_\_\_

**Note:**

1. Separate Cost Statement(s) shall be prepared for each type of goods.
2. Any other material and significant fact in relation to compilation of the cost statement (s) should be disclosed by way of Notes.



Statement showing Cost of Provision of the taxable Service  
(refer Rule 30 of the CGST Rules, 2017)

<b>A General Information</b>						
1	Name of the Supplier of service					
2	Address of the Supplier of service					
3	GSTIN of the Supplier of service					
4	Description of the Service					
5	Service Code					
6	Period of validity of the Cost Statement					
<b>B</b>	<b>Quantitative Information (if applicable)</b>				<b>Unit</b>	<b>Quantity</b>
	Quantum of Service Provided					
<b>C</b>	<b>Cost Information</b>	<b>Unit</b>	<b>Quantity</b>	<b>Rate (Rs.)</b>	<b>Amount (Rs.)</b>	<b>Cost per Unit (Rs.)</b>
1	Materials consumed (specify major items)					
	A.					
	B.					
	C.					
	Others					
2	Utilities (specify)					
	A.					
	B.					
	C..					
3	Direct Employee Cost					
4	Direct Expenses					
5	Consumable Stores and Spares					
6	Repairs and Maintenance					
7	Quality Control Expenses					
8	Research & Development Expenses					
9	Technical Know-how Fee/Royalty					
10	Depreciation/Amortization					
11	Operation Overheads relating to					



	provision of services					
12	Administrative Overheads relating to supply of service					
13	Industry specific Operating Expenses					
14	Free supplies received from recipient or supplied on behalf of recipient, if any (net of input tax credit)					
15	Total (1 to 14)					
16	Less Credit for Recoveries, if any					
17	Cost of Services Provided (15-16)					

We hereby affirm as follows –

1. We have maintained the cost records as required.
2. The cost statement has been prepared in compliance with the applicable Cost Accounting Standards and generally accepted cost accounting principles.

Date: \_\_\_\_\_ Seal & Signature of the Company's Authorised Representative

I/We have verified the aforesaid cost data 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 our test checks performed and on the basis of Cost Accounting Standards and generally accepted cost accounting principles and practices followed by the Industry, I/we certify that the above cost data reflects true and fair view of the cost of providing the above taxable service.

Date: \_\_\_\_\_ Seal & Signature of the Cost Accountant

Place: \_\_\_\_\_ Membership No.: \_\_\_\_\_ Firm Reg. No.: \_\_\_\_\_

**Note:**

1. Separate Cost Statement(s) shall be prepared for each service.
2. Any other material and significant fact in relation to compilation of the cost statement (s) should be disclosed by way of Notes



**Statement showing Cost of Acquisition of the taxable Goods**

(refer Rule 30 of the CGST Rules, 2017)

<b>A General Information</b>						
1	Name of the Acquirer					
2	Address of the Acquirer					
3	GSTIN of the Acquirer					
4	Description of the Product acquired					
5	HSN Code of the Product					
6	Period during which the goods were acquired					
7	Source by which acquired	Indigenous / Imported				
<b>B Quantitative Information</b>					<b>Unit</b>	<b>Quantity</b>
1	Opening Stock of acquired Goods					
2	Goods acquired during the period					
3	Closing Stock of acquired goods					
4	Quantity of acquired goods sold					
<b>C</b>	<b>Cost Information (when acquired from Indigenous sources)</b>	<b>Unit</b>	<b>Quantity</b>	<b>Rate (Rs)</b>	<b>Amount (Rs)</b>	<b>Cost per Unit (Rs)</b>
1	Purchase Cost of the Goods acquired					
2	Inward Freight					
3	Inward Insurance					
4	Packing cost charged by the Supplier					
5	Incidental Expenses charged by the Supplier					
6	Commission charged by the Supplier					
7	Taxes, duties, cesses, fees and charges levied under any law other than the GST Laws					
8	Interest or late fee or penalty for delayed payment charged by the Supplier					
9	Less : Subsidy/Grants etc. received from the Government					



10	Storage Charges					
11	Administrative Overheads relating to acquisition of goods					
12	L/C Commission and other expenses directly connected with acquisition of goods					
13	Total (1 to 12)					
14	Less: Trade Discount or Rebate given by the Supplier					
15	Less: Credit for Recoveries, if any					
16	Less: Input Tax Credit availed					
17	Cost of Acquisition (13 to 17)					
<b>D</b>	<b>Cost Information (when acquired from Foreign sources)</b>	<b>Unit</b>	<b>Quantity</b>	<b>Rate (Rs)</b>	<b>Amount (Rs)</b>	<b>Cost per Unit (Rs)</b>
1	Purchase Cost of the Goods acquired					
2	Inward Ocean/sea Freight from out of India to customs port					
3	Maritime Insurance					
4	Clearing & Forwarding Charges					
5	Inland Inward Freight					
6	Inward Insurance within India					
7	Packing cost charged by the Supplier					
8	Incidental Expenses charged by the Supplier					
9	Commission charged by the Supplier					
10	Taxes, duties, cesses, fees and charges levied under any law other than the GST Laws, where Input Tax Credit is not available					
11	Interest or late fee or penalty for delayed payment charged by the Supplier					
12	Subsidy/Grant etc. paid by person other than Government					
13	Storage Charges					



14	Administrative Overheads relating to acquisition of goods					
15	L/C Commission Charged					
16	Total(1 to 15)					
17	Less: Trade Discount or Rebate given by the Supplier					
18	Less: Credit for Recoveries, if any					
19	Less: Input Tax Credit availed					
20	Cost of Acquisition (16 to 19)					

We hereby affirm that we have maintained the cost records as required.

Date: \_\_\_\_\_ Seal & Signature of the Company's Authorised Representative

I/We have verified the aforesaid cost data 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 our test checks performed and on the basis of Cost Accounting Standards and generally accepted cost accounting principles and practices followed by the Industry, I/we certify that the above cost data reflects true and fair view of the cost of acquisition of the above taxable good.

Date: \_\_\_\_\_ Seal & Signature of the Cost Accountant

Place: \_\_\_\_\_ Membership No.: \_\_\_\_\_ Firm Reg. No.: \_\_\_\_\_

**Note:**

1. Separate Cost Statement(s) shall be prepared for each goods.
2. Any other material and significant fact in relation to compilation of the cost statement (s) should be disclosed by way of Notes



Statement of Open Market Value / Value as per Goods or Services of like kind and quality

(refer Rules 27 to 29 of the CGST Rules, 2017)

<b>A</b>	<b>General Information</b>	
1	Name of the Supplier of goods or services or both*	
2	Address of the Supplier of goods or services or both*	
3	GSTIN of the Supplier of goods or services or both*	
4	Description of the Product / Service*	
5	HSN Code of the Product / Service Code*	
6	Period of validity of the Cost Statement	
7	List of Documents Verified	
<p>On the basis of aforesaid documents and other details available with us, we hereby affirm that the open market value / value as per goods or services or both of the like kind and quality as stated above is Rs._____.</p> <p>Date: _____ Seal &amp; Signature of the Company's Authorised Representative</p>		
<p>I/We have verified the aforesaid documents on test check basis.</p> <p>Based on the information and explanations given to me/us, and our test checks performed, I/we certify that the above value reflects true and fair value of the above taxable goods or services or both.</p> <p>Date: _____ Seal &amp; Signature of the Cost Accountant</p> <p>Place: _____ Membership No.: _____ Firm Reg. No.:</p>		
<p><b>Note:</b></p> <p>1. Separate Statement(s) shall be prepared for each goods or for each service.</p> <p>2. Any other material and significant fact in relation to compilation of the cost statement (s) should be disclosed by way of Notes</p> <p><i>*strike off whatever not relevant</i></p>		