# Module 4 · Part 3 · CAS-13 to CAS-24 MCQ standards

SM pp. 202–253. **No Q4 sum has come from these twelve yet**; they give MCQs: CAS-17 "deals with" (Dec'23, ICMAI PTP, SM MCQ 1), CAS-13 service cost centre (Jun'26), CAS-23 stripping activity (Jun'26), CAS-14 fines (SM true/false). Learn one card per standard: its **definition in SM words**, the **special rule** that makes it different, and its **effective date**. CAS-19 joint costs and CAS-24 revenue also feed the CAS-4 and reconciliation sums.

**WHAT EACH ONE IS REMEMBERED FOR**

| | |
|---|---|
| **13** service cost centre | usage-based distribution; not utilities or repairs |
| **14** pollution control | future remediation in; social costs out; fines out |
| **15** selling and distribution | long-benefit costs amortised; installation = production |
| **16** depreciation | idle asset = abnormal; revaluation out; intangibles ≤ 10 years |
| **17** interest | separate line under cost of sales; never product cost |
| **18** R&D | improvement of existing product → cost of production |
| **19** joint costs | physical units, NRV at split-off, technical estimates |
| **20** royalty | mining royalty = material cost; brand = cost of sales |
| **21** quality control | prevention + appraisal; benefits received (no. of tests) |
| **22** manufacturing cost | excisable goods; royalty on sales excluded |
| **23** overburden | charged at the standard stripping ratio |
| **24** revenue | other income kept out of cost profit |

**THE COMMON PATTERN (SAVES READING TIME)**

Every CAS here repeats the CAS-3/CAS-7 pattern: aggregate of **direct and indirect** cost · procured items at invoice price net of discounts (other than **cash** discount) and refundable taxes · **no finance cost, no imputed cost** · subsidy reduced · **abnormal** and **penalties** out · credits deducted · normal variances in · assign by **traceability**, else **cause and effect** or **benefits received** · separate cost head if material · disclose basis, related parties, foreign exchange, subsidy, credits, abnormal, penalties, and any change in principles.

**MEMORY HOOK**

"**S**ervice **P**ollutes **S**ales; **D**epreciation **I**nterests **R**esearch; **J**oint **R**oyalty **Q**uality **M**anufactures **O**verburden **R**evenue" = 13 → 24 in order.

## CAS-13 Cost of Service Cost Centre (Revised 2017) · Jun'26 MCQ

- Covers service cost centres; **not** utilities (**CAS-8**) or repairs and maintenance (**CAS-12**). [SM 202]
- SM WORDS **Support-service cost centre**: the cost centre which primarily provides **auxiliary services across the entity** — to production, operation or other service centres, not directly engaged in manufacturing; sometimes to outside parties. **Examples:** engineering, workshop, R&D, quality control, designing, laboratory, welfare, safety, transport, tool stores, pollution control, computer cell, dispensary, school, crèche, township, security. [SM 203]
- **Stand-by service**: backup against failure of the main source; its cost includes **committed costs**. [SM 203–204]
- Each identifiable service cost centre is a **distinct cost object**, subject to materiality. [SM 203–204]
- Cost to others: **inter-unit** + distribution cost; **inter-company** + distribution + administrative overheads; **outside parties** + distribution + admin + **marketing overheads**. [SM 204]
- On **normal capacity or actual utilization, whichever is higher**; unabsorbed = abnormal. Charges to outside parties are **credits** reducing the cost. [SM 204]
- **Distribution** to consuming centres on logical parameters related to **usage**: equitable, reasonable and consistent. Presented as a separate head **for each type of service**. [SM 205]

## CAS-14 Pollution Control Cost (Revised 2017) · SM true/false 3

- SM WORDS **Pollution control** means the control of **emissions and effluents** into environment: materials, processes or practices to **reduce, minimize, or eliminate** pollutants or wastes, incl. reducing toxic materials, energy and water use. [SM 207]
- Definitions from the **Air Act 1981** (air pollutant incl. **noise**), the **Environment (Protection) Act 1986**
- Each type (water, air, soil) a distinct activity. [SM 208]
- SM WORDS **Fines, penalties, damages** to authorities or third parties are **not** pollution control cost (SM T/F 3: a fine to the State Pollution Control Board → **False**). [SM 209]
- **R&D** for new processes to avoid pollution → R&D cost; **commercial development** of them → pollution control

(environment = water, air, land and their inter-relationship) and the **Water Act 1974**; soil pollution = a pollutant above its threshold. [SM 206–207]
- Internal costs at **historical cost** when incurred. **Future remediation or disposal** costs reasonably certain (onerous contract, constructive obligation) are **estimated per period**, e.g. per tonne of solid waste. **Contingent** costs from future legislation are **not** cost until reasonably certain. [SM 208]
- **External / social costs** are excluded from general-purpose cost statements. [SM 208]

cost. [SM 209]
- Trace to products by the **quantity of pollutant** each generates; ISO 14000 certification and registration fees → overheads. [SM 209]
- **Presentation:** classified as (a) direct / indirect, (b) **internal / external**, (c) **current / future**, (d) **domain**: water, air, soil. Disclose prior-period costs, basis of future estimates, and a reference to any social-cost note. [SM 210]

## CAS-15 Selling and Distribution Overheads · effective 1 April 2013

- **Distribution overheads**: from **ready for despatch** until it reaches the **ultimate consumer** (incl. inter-unit transfers): packing or labelling at an intermediate storage location, transportation, warehousing (depots, godowns, yards). [SM 211–212]
- **Installation** needing technical help is part of **cost of production**, not S&D. [SM 212]
- **Selling overheads**: salaries and travel of sales staff, **commission**, sales and **brand promotion** (advertisement, publicity, sponsorship, endorsements), **receivable collection**, **after-sales service**, **warranty**. [SM 212]

- Aggregate of resources consumed; **post-sales costs** (warranty, product liability, after-sales) estimated on a reasonable basis; long-benefit costs **amortised**. [SM 212]
- No imputed cost; **penalties, demurrage, detention** excluded; subsidy reduced; recoveries deducted. [SM 212–213]
- Transport in distribution assigned per **CAS-5**. Presented as a separate head; may be called **marketing overheads**. [SM 213]

## CAS-16 Depreciation and Amortisation (Revised 2017)

- **Depreciation**: systematic allocation of the depreciable amount of an asset over its useful life. **Amortisation**: the same for an **intangible** asset (franchise, patent, trademark, copyright). **Land** is not depreciable. [SM 215–216]
- Measured on **depreciable amount and useful life**. Intangibles: residual value zero unless a third-party commitment or an active market; PPE residual value zero if not estimable. Not less than the amount required by law; **regulated industry** → the regulator's figure. [SM 216–217]
- Useful life factors: (a) **wear and tear**, (b) **obsolescence**, (c) **legal or other limits**. An intangible: not beyond its legal rights, and **never more than 10 years** from available for use. [SM 217]
- Starts when **available for use** (fire extinguisher, stand-by generator count as available); stops at held for sale or derecognition. [SM 217]

- Addition integral to an asset → over its **remaining** life; with separate identity → over its own life. [SM 217–218]
- SM WORDS Higher depreciation due to **revaluation** is **not assigned** to the cost object; **impairment loss** is excluded from cost of production. [SM 218]
- Methods: **straight-line, diminishing balance, units of production**; reviewed **at least annually**. Small assets written off in the year of purchase. [SM 218]
- Depreciation of an asset **idle or temporarily retired** = **abnormal cost** for that period. Assets used to build another asset → part of that asset's cost. [SM 219]
- **Disclose:** basis of distribution; credits; revaluation depreciation excluded; depreciation excluded for temporary retirement. [SM 219]

## CAS-17 Interest and Financing Charges (Revised 2017) · Dec'23 MCQ, SM MCQ 1

- SM WORDS **Interest and Financing Charges** are interest and other costs incurred by an entity in connection with the **financing arrangements**: interest and commitment charges on borrowings; finance-lease charges; exchange differences on foreign-currency borrowings treated as interest. [SM 181, SM 221]
- Derivative risk-management costs are **outside** its scope. [SM 220]
- **Short-term** borrowing: repayable within **one year** of disbursal; long-term: after one year. **Net current asset** = current assets − current liabilities. [SM 221]

- No imputed cost; subsidy reduced; **penal interest**, fines and penalties excluded (interest for late statutory payments is not penal interest); finance costs of **investments** excluded. [SM 221–222]
- SM WORDS **Presentation:** shown as a **separate line item under the cost of sales**. Prior-period charges taken to reconciliation are shown separately. [SM 222]
- In product costing it is **excluded** from material, utilities, direct expenses, cost of production (CAS-4 para 5.20). SM fill-in 5: interest on working capital is part of **finance** cost. [SM 151, SM 290–292]

- Measured per **AS (2006 Rules) or Ind AS (2015 Rules)**. Identified for (a) **qualifying assets** → included in the asset's cost; (b) other operations. [SM 221]

## CAS-18 Research and Development Costs · effective 1 April 2014

- **Research**: original and planned investigation for new scientific or technical knowledge (adapted AS 26). **Development**: applying research to a plan or design for new or substantially improved materials, products, processes **before commercial production**. [SM 224]
- Includes: materials and services consumed; bought-out items; personnel; depreciation of facilities used; overheads **other than general administration**; work done by others; **copyrights or licences**; **computer software**; design of **tools, jigs, moulds, dies**. [SM 224]
- Credits incl. **sale of output** of R&D are deducted. [SM 225]
- R&D not attributable to a product or process is **not product cost**. Development creating an intangible → **amortised** over its useful life; assigned on **benefits received**. [SM 225]
- SM WORDS R&D for the **development and improvement of an existing process or product shall be included in the cost of production**; if it spans periods and yields a distinctly new product, it is accumulated and amortised. [SM 225]
- **Presentation:** improvement R&D under cost of production; other R&D in the **reconciliation statement**. Disclose abnormal costs incl. **abandoned projects**. [SM 225–226]

## CAS-19 Joint Costs · effective 1 April 2014

- **Joint costs**: cost of common resources used to produce two or more products or services **simultaneously**. **Joint product**: produced simultaneously by the same process, identifiable at the end, with **sufficient value**. **By-product**: **relatively low value**, produced incidentally. [SM 227]
- **Split-off point** (= separation point): where joint products become separately identifiable. [SM 227–228]
- Costs after split-off measured per product; scrap and waste (net of disposal cost) deducted from the joint product. [SM 228]
- SM WORDS Joint cost assigned on **benefits received** by: (a) **physical units**; (b) **net realisable value at split-off** (net selling price × quantity sold, less post-split-off costs); (c) **technical estimates**. [SM 228]
- **By-product** value: (a) **NRV** or (b) **technical estimates** (when not saleable as it emerges). [SM 228–229]
- Present element-wise cost of each joint product and the value given to by-products; disclose the basis of allocation. [SM 229]

## CAS-20 Royalty and Technical Know-how Fee (Revised 2017)

- SM WORDS **Royalty** is any consideration for the use of asset (tangible and/or intangible) to the owner — a % of revenue, per unit produced or of sales value; for mineral resources, patents, trade marks, franchises, copyrights, software. **Technical service fee**: for technical or managerial services. [SM 231]
- Lump-sum / one-time fees **amortised** on estimated output or benefit; no finance or imputed costs. [SM 231]
- Not traceable → assigned on (a) **units produced**, (b) **units sold**, (c) **sales value**. [SM 231–232]
- SM WORDS Royalty for **mining rights** forms part of the **cost of material**. Product or process know-how → **cost of production**; **trademarks or brands** → **cost of sales**. [SM 232]

## CAS-21 Quality Control (Revised 2017)

- **Quality**: conformance to requirements or specifications; fitness for the customer's intended use. **Quality control**: procedures designed to ensure products or services meet a defined quality criterion or the client's requirement. **QC cost**: resources consumed in QC procedures. [SM 234]
- Includes the **cost of conformance**: (a) **prevention cost**, (b) **appraisal cost**. [SM 234]
- Traceable QC → the cost object; otherwise on **benefits received**, e.g. the **number of tests** performed for a product. [SM 235]
- Usual exclusions (finance, imputed, abnormal portion, penalties); separate cost head if material. [SM 234–235]

## CAS-22 Manufacturing Cost (Revised 2017) · effective 1 April 2015

- For **excisable goods**. **Captive consumption**: goods made by one unit and consumed by another unit of the same
- SM WORDS **Royalty paid on sales shall not form part of manufacturing cost**; lump-sum royalty and know-how amortised on output. [SM 240]

organisation for making other products (s.4(3) Central Excise Act). [SM 236]

- **Manufacturing cost** = materials (incl. process materials), employee cost, utilities, packing, direct expenses, R&M, **pollution control**, QC, R&D, free inputs from the buyer, depreciation and amortisation (incl. free tools, dies, drawings), rework, manufacturing overheads, WIP adjustment, scrap recoveries; **not post-manufacturing** expenses. Same as **cost of production**. [SM 238]
- Admin overheads relating to manufacturing **in**; those of marketing, projects, **corporate office out**. Manufacturing overheads include administration of the factory and **depot**. [SM 236, SM 238]
- Exclusions: abnormal cost, **interest and finance**, fines, demurrage; forex at the transaction date; subsidy from anyone other than the buyer deducted; normal or actual capacity, **whichever is higher**. [SM 240–241]
- **Presentation:** Appendix-1, with actual capacity utilization in absolute terms and **as a % of normal capacity**; elements shown separately. [SM 242]

## CAS-23 Overburden Removal Cost (Revised 2023) · Jun'26 MCQ

- **Overburden**: overlying materials generally having **no commercial value**. **Overburden removal cost**: cost to remove the overlying material from the mine site (SM fill-in 2 → **CAS-23**). [SM 246, SM 290–292]
- SM WORDS **Stripping activity**: the activity of overburden removal that **benefits the identified component of an ore** to be mined by the entity (Jun'26 MCQ answer). [SM 246]
- **Stripping ratio** = volume of overburden (m3) ÷ weight of ore (tonnes); "3:1" means three cubic metres of waste per ton of ore. **Standard (average) stripping ratio**: over the project life; reviewed **at least every five years**, at once after radical geological change (e.g. an earthquake). **Current ratio**: overburden removed ÷ mineral produced in the year. [SM 245–246]
- **Advance stripping**: excess overburden removed beyond what is needed for extraction. [SM 247]
- Direct cost: stores, machinery spares, **explosives and detonators**, manpower, equipment, utilities, contractors. [SM 247]
- **Development phase** cost → **capitalised** as a non-current asset when future benefits are probable. **Developed area → charged to ore production at the standard stripping ratio**, whatever the actual ratio; the difference goes to the reconciliation statement (explanation revised by the Council on 5 September 2024). [SM 247]
- Measured by trips of equipment or electronically; computed **mine by mine**. Abnormal: fire, cave-in, flooding. Equipment cost split by **machine hours** between mineral and overburden. [SM 247–248]
- Effective **1st April 2023**. Disclose any variation between the standard and the current ratio. [SM 248]

⚠ The SM's list of standards still shows CAS-23 from 1 April 2017 (the old version); the revised text in the SM is effective 1 April 2023. [SM 127, SM 248]

## CAS-24 Treatment of Revenue in Cost Statements (Revised 2017) · effective 1 April 2017

- **Net sales realization**: revenue from operations **net of discounts and indirect taxes**. **Revenue from operations** includes other operating revenue: sale of **by-products**, **manufacturing scrap**, **export incentives**, product-related **subsidies**. [SM 249–251]
- **Other income** (not revenue from operations): profit on sale of PPE and investments; interest on outside investments; insurance claims, penalties or fees received not set against a cost; rent; grants; royalties received; prior-year credits; dividends; forex gains; provisions written back; revaluation credits; recoveries of bad debts written off; prior-period income. [SM 249–250]
- Measured at net sales realization; separately for each unit, each product, **exports / domestic**, manufactured / trading; by-products, rejects, scrap separately. [SM 251]
- By-product NSR (net of further processing) is set against the **joint cost**; scrap, rejects, spoilage against the cost of the related goods; sale of inputs or utilities against their cost. [SM 251]
- SM WORDS **Other income shall not be considered in determining profit or loss as per cost accounts.** Revenue from assets created under **CSR** is also excluded. [SM 251]
- Product-related subsidies → revenue; other operating subsidies → **reduction of the related cost**. [SM 252]
- Present NSR per product split into exports, domestic, manufactured, trading, matched with cost of sales and margin; quantity and price per unit. [SM 253]

## R Numbers to learn · Part 3

| Rule | Number | Rule | Number |
|---|---|---|---|
| CAS-13 / 14 effective (SM list) | 1 Apr 2011 / 1 Apr 2012 | intangible useful life, maximum | 10 years |
| CAS-15 effective | 1 Apr 2013 | short-term borrowing (CAS-17) | within 1 year |
| CAS-16 to 21 effective (SM list) | 1 Apr 2014 | current asset / liability test | 12 months |
| CAS-22 effective | 1 Apr 2015 | standard stripping ratio review | at least every 5 years |
| CAS-23 (Revised 2023) effective | 1 Apr 2023 | stripping ratio example | 3:1 = 3 m3 per ton |
| CAS-24 effective | 1 Apr 2017 | pollution Acts: Water / Air / Environment | 1974 / 1981 / 1986 |