

Final

# Work Book

## Cost and Management Audit

Paper

17



**The Institute of Cost Accountants of India**

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# WORK BOOK

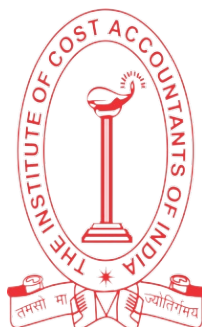
## Cost and Management Audit

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**FINAL**

**Paper 17**

**SYLLABUS 2022**



**The Institute of Cost Accountants of India**

CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

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## Preface

**T**he landscape of professional education is undergoing a profound transformation, driven by the evolving demands of a globally integrated economy. In this dynamic environment, it is imperative to equip students not only with technical knowledge but also with the analytical skills and professional acumen essential for success.

Effective learning extends beyond theoretical understanding—it necessitates the development of strong conceptual foundations, critical thinking abilities, and disciplined study habits. These attributes are cultivated through continuous practice and engagement with thought-provoking academic material. To facilitate this process, the curriculum, instructional methods, and assessments must be designed to provide comprehensive, structured, and intellectually stimulating learning experiences.

Building on the success of the previous editions, we are pleased to present the new edition of our 'Workbook' in an e-distributed format. This edition has been meticulously developed to enhance students' comprehension and application of key concepts. Each chapter is structured to offer a seamless learning experience and integrating practical illustrations in a phased manner to align with the evolving regulatory framework.

We are confident that this new edition will continue to serve as a valuable academic resource, empowering students to achieve their professional aspirations with confidence and competence.

The Directorate of Studies,  
The Institute of Cost Accountants of India

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# 1

## Companies (Cost Records and Audit) Rules, 2014 (as amended) [Study Material - Module 2]

### Illustration 1 : Security Expenses

Securities Expenses for Company X are provided in CRA 3 as mentioned below showing substantial increase of 25 % in Current Year as compared to Previous Year

	₹ in Lacs
For Current Year	500
For Previous Year	400

As Cost Auditor, which probable areas you will look into it for increase of 25 % and suggestions, if any, you shall offer

#### Solution :

Probable areas Cost Auditor shall look into :

- 1) Due to normal inflation
- 2) Due to increase in scope with existing plants

Areas which were previously not covered are now also covered

- 3) Due to substantial expansion of existing plants requiring additional security people
- 4) Due to commissioning of new projects, requiring additional security people
- 5) Plants which are under commissioning, security cost thereof is charged to Project Cost, have been charged to Relevant GL of P & L .

#### Probable Suggestions: For 3 & 4

Ensure that during negotiations, price advantage is taken due to additional scope

If not taken, same to be taken during the next negotiation at the time of renewal

- 5) Transfer it to project cost – capitalise it



### Illustration 2: Capacity Utilisation

During the course of audit of CRA 3, substantial less capacity utilisation of Product A is noticed in current year as compared to previous year as mentioned below :

#### Capacity Utilisation of Product A

In Current Year	65 %
In Previous Year	85 %

As a Cost Auditor, what factors you would look into which might have contributed to it and corresponding suggestions you will offer to the management.

#### Solution :

Illustrative list of the factors that would be looked into it.

- 1) Poor Market Demand – Explore new market
- 2) Supplier has started its captive consumption, resulting into its restricted supply for the company
- 3) Due to shortage of Raw Material – Explore New Vendors
- 4) Due to Break Down of Plant & Machinery  
Make Preventive Maintenance a regular exercise
- 5) Due to shortage of Electricity  
Explore the possibility of putting up of own power generating plant
- 6) Due to Labour Strike  
HR should strive to maintain amicable relationship between management & union

### Illustration 3: Repairs Expenses

During the Course of Audit of Abridge Cost Statement of CRA-3, substantial increase in Repairs Cost is observed as mentioned below :

	₹ in Lacs
Current Year	4,000
Previous Year	3,200

Please state as a Cost Auditor which factors you would like to see for this increase with corresponding suggestions if any

#### Solution :

Illustrative List of Areas that Cost Auditor shall look into:

- 1) Normal Inflation – it is acceptable.



- 2) Due to Increase in Scope of Repairs Activity – It is acceptable.
- 3) Previously , repairs jobs that were done inhouse, are now given to out side parties with proven expertise in the form of AMC/ARC to take benefit of their expertise
- 4) Due to substantial expansion of existing plants requiring additional AMC/ARC
- 5) Due to Commissioning of New Projects for which additional AMCs/ARC s are taken

### Probable Suggestions of Cost Auditor

For 3) above, To ensure that AMC/ARC have been taken from parties with proven track record

For 4) above, In case of substantial expansion, whether negotiation is properly done to take advantage of lower rate due to additional work offered.

For 5) above, Similarly, in case of AMC/ARC for new projects, ensure that lower rate has been bargained to take advantage of additional work offered.

### Illustration 4 : Electricity Cost

During Cost Audit of Abridged Cost Statement of CRA-3, Cost Auditor has come across substantial increase in Electricity Cost which are mentioned as below :

	₹ in Lacs
Current Year	90,000
Previous Year	75,000

As a Cost Auditor, which areas you would look into for possible reasons that might have contributed this substantial increase and what possible solutions you shall offer, where ever possible.

#### Solution :

Illustrative list of areas the Cost Auditor shall look into :

- 1) Company has gas based power plant and cost of Gas has substantially gone up

#### Probable Solution:

- Advise for corresponding increase in selling price if possible to offset the rise
- Advise to look for exploring the reduction in other cost components, where possible

- 2) Explore the possibility of putting up wind mills and solar, if electricity is a major cost component
- 3) Existing Plant & Machinery are old, with out dated technology, consuming more electricity

#### Probable Solution:

- Explore the possibility for replacing it with energy saving plant and machinery after proper Cost benefit analysis

- 4) Due to substantial expansion of existing plants – here it is acceptable.
- 5) Due to commissioning of new project – here it is acceptable.
- 6) Due to more production achieved in current year – it is acceptable.



### Illustration 5: Raw Material Cost

During the Audit of Cost Records and Cost Audit Report in form CRA-3, Cost Auditor has noticed substantial increase ( 20 % ) in Raw Material Cost as mentioned below :

	₹ in Lacs
In Current Year	130000
In Previous Year	108000

As Cost Auditor, what possible factors you would attribute to this increase and what remedies you would suggest, where possible

#### Solution :

Following can be the possible reasons :

- 1) Company has new project going on. Raw Material Consumed during trial run is charged to Revenue GL of Raw Material.  
So this cost need to be transferred from Raw Material Cost to Project Cost
- 2) Due to substantial expansion of existing plant – It is acceptable.  
Cost Auditor can advise to take advantage of quantity discount during negotiation due to increased requirement of quantity
- 3) Due to Commissioning of new Plants – It is acceptable.  
Here also, Cost Auditor can advise to take advantage of quantity discount during negotiation due to increased requirement of quantity
- 4) Due to emergency purchase, material is acquired at substantial higher rate  
Cost Auditor should insist for proper co-ordination among – sales, production and purchase department

### Illustration 6: Packing Material Cost

During the course of Cost Audit of CRA-3, substantial increase in the cost of packing material is observed in current year as compared to previous year as mentioned below :

	₹ in Lacs
Current Year	6,000
Previous Year	5,000

As substantial increase of 20 % is observed, As Cost Auditor, what possible factors you would attribute to this increase and what remedies you would suggest, where possible

#### Solution :

Probable Reasons :

- 1) General Inflation
- 2) Substantial Increase in Procurement Rates



- 3) Due to substantial Expansion
- 4) Due to new projects
- 5) Product can be sold both in Tanker and in carboys. During the year, it is sold more in Carboys
- 6) Due to more production

### Suggestions:

- 1) Have proper bargaining
- 2) Explore new vendors to obtain competitive price advantage
- 3) When product is sold more in carboys, advise the management that Invoice Value should cover the Packing Material Cost
- 4) When 2 plants producing the same product, bargain the quantity discount
- 5) For additional quantity due to substantial expansion / new projects, bargain for quantitative discounts
- 6) For additional quantity due to more production, bargain for quantity discount
- 7) Company may explore the possibility of inhouse production, after proper cost benefit analysis, to take advantage of reduced cost & sustainable supply

### Illustration 7: Employee Cost

During the cost audit of CRA 3, substantial increase of 20% in employee cost is observed in current year as compared to previous year as mentioned below:

	₹ in Lacs
Current Year	27,600
Previous Year	23,000

As Cost Auditor, what possible factors you would attribute to this increase and what remedies you would suggest, where possible

### Solution :

Probable Reasons and solutions:

- 1) Some projects are going on and cost of employees being engaged in Project, instead of being capitalised, are taken to revenue  
Pass the transfer entry – transferring from revenue GL of Employee cost to Project cost being capitalised.
- 2) It may be effect of union settlement which usually takes place every 4 years  
Ensure that settlement impact of current year is considered as employee cost of current year and settlement impact of previous year is considered in reconciliation.



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- 3) More employees are recruited due to substantial expansion of existing plants and/or commissioning of new plants.

Ensure that capacity utilisation is satisfactorily achieved keeping per unit fixed cost comparable to existing plant.

- 4) More leave encashment being applied by employees during the year  
5) Substantial increment resulting from handsome profits of the company  
This is acceptable as it will motivate the employees creating sense of belonging

### Illustration 8: Profit Reconciliation as per Part D2 of CRA 3

Following data are available for company A

Please prepare Reconciliation Statement

Sr. No.	Particulars	Value ₹ in Cr.
1	Profit as per Cost Records	100
2	Demurrage for Raw Material	2
3	Previous Year Debit Note included in Raw Material Cost	3
4	Previous Year Settlement paid during the year and booked in Employee Cost	5
5	Interest for Delayed Payment of PF booked in Current Year as Employee Cost	2
6	Insurance Claim Received of Previous Year	2

Please prepare Reconciliation Statement showing Profit as per Financial Accounts.

**Solution :**

Sr. No.	Particulars	Value ₹ in Cr.
1	Profit as per Cost Records	100
2	Less: Expenses not considered in Cost Accounts but considered in Financial Accounts	
	Demurrage	(2)
	Debit Note of Previous Year	(3)
	Previous Year Settlement	(5)
	Interest on delayed deposits of PF	(2)
	Total	88
3	Add : Insurance Claim not considered in cost accounts	2
	Profit as per Financial Accounts	90



### Illustration 9: Inventory of Raw Materials

Following data are made available from Cost Records of Company A

	₹ in Lacs
Inventory of Raw Materials	7,300
Consumption of Raw Materials	94,000
Consumption Of Raw Materials per Day	$94000 / 360 = 261$ Lacs per Day

So Inventory in terms of No of days requirement =  $7300 / 261 = 28$  days of requirement

Management has desired to reduce this Inventory level to 20 days of requirement.

As a Cost Auditor, Please advise the management steps to be taken :

#### Solution :

Reducing Inventory Levels of Raw Material depends upon the following sub factors:

- 1) Reducing the lead time between purchase order and delivery of material
  - By expanding vendor base
  - More competition shall bring down lead time
  - By having more vendors situated near to the site
  - It shall reduce the transportation time
- 2) Reducing the material content
  - Through Research & Development
  - By exploring new vendors who can offer superior quality of raw material
  - Where reduced usage shall more then offset higher prices paid
- 3) Reducing the Procurement Price
  - By exploring new vendors – competition shall bring down the price
  - Taking advantage of Quantity Discount by combining the requirement of 2 or more plants

### Illustration 10 : Raw Material Inventory

#### Inventory Holding vs Lead Time to Procure the Raw Material

Company A of which you are a Cost Auditor has required to devise Format to monitor Raw Material Inventory in terms of Days requirement vs Lead Time

#### Solution :

Following Format has been advised by the Cost Auditor to monitor actual inventory of Raw Material vis a vis their lead time

Monitoring of Column 5 & 6 shall ensure against both overstocking of raw materials as well as understocking of the same



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Sr No	Raw Materials Consumption (Quantity)	Inventory (Quantity)	Per Day Requirement (Quantity)	Inventory in terms of days requirement	Lead Time required to procure the Inventory In days
1	2	3	4	5	6

### Note for Students

Column 4 = Column 2 / 360 days

Column 5 = Column 2 / Column 4

Column 6 to be obtained from Purchase Department

### Illustration 11 : Format of CRA 3

Company A has for the 1<sup>st</sup> time come under the purview of Cost Audit of which you are appointed as Cost Auditor and you have been advised to provide contents of Annexure to CRA 3 in Tabular Form

### Solution :

Contents of Annexure to CRA 3 in Tabular Form

<b>PART : A</b>	
1	General Information
2	General Details of Cost Auditor
3	Cost Accounting Policy
4	Products Details (for the Company as a whole)
<b>PART : B</b>	
1	Quantitative Information (for each product separately with CTA Heading)
2	Abridged Cost Statement (for each product separately with CTA Heading)
2A	Details of Materials Consumed (for each product separately with CTA Heading)
2B	Details of Utilities Consumed (for each product separately with CTA Heading)
2C	Details of Industry Specific Operating Expenses (for each product separately with CTA Heading)
<b>PART : D</b>	
1	Products and Services Profitability Statement (For Audited products / services)
2	Profit Reconciliation (for the company as a whole)
3	Value Addition and Distribution of Earnings (for the company as a whole)
4	Financial Position and Ratio Analysis (for the company as a whole)
5	Related Party Transaction (for the company as a whole)
6	Reconciliation of Indirect Taxes (for the company as a whole)

As Part C is for Service Sector which is not being relevant here is not provided in this table.



### Illustration 12 : Output of Cost Centres

To enable build up of Cost Records, you as Cost Auditor has been advised output of the following Cost Centres:

- 1) Diesel Generating Set
- 2) Boiler
- 3) Air Compressor

**Solution :**

Cost Centre	Output
Diesel Generating Set	Electricity
Boiler	Steam
Air Compressor	Instrument Air

### Illustration 13:

Following data are available for Inventory of Raw Material A

Inventory	Aging	Original Lab Report Purity %	Revised Lab Report Purity %	Original Value
100 MT	1 month old	100	100	100000
100 MT	2 month old	100	95	90000
100 MT	3 month old	100	90	80000
				270000

1 month old was bought at 1000 per MT

2 month old was bought at 900 per MT

3 month old was bought at 800 per MT

Please calculate value of Inventory of Raw Material A for Cost Records and Cost Audit.

**Solution :**

Inventory	Aging	Revised Lab Report Purity %	Purchase Rate	Revised Rate	Revised Value
100 MT	1 month old	100	1000	1000	100000
100 MT	2 month old	95	900	855	85500
100 MT	3 month old	90	800	720	72000
					257500

So now both in financial accounts as well as cost accounts, this inventory shall be carried at Revised value of 257500

For decrease in value of 12500

Financial JV shall be passed in the books of accounts

**Debiting:** Loss due to decrease in the usage value

**Crediting:** Raw Material Inventory



### CASE STUDY

#### Case Study 1: (Cost Records and Audit) Rules, 2014 (as amended)

Products of Company G are covered both under cost records, Rule 3, and cost audit, rule 4, of companies (Cost Records and Audit) Amendment Rules 2014

So it needs to prepare its cost audit report in Form CRA 3.

Form CRA 3 is prescribed by Rule 6(4) of the Companies Cost Records and Audit Rules 2014

Contents of Cost Audit Report which is to be prepared as per Format prescribed by Form CRA 3 of Rule 6(4) of the Companies Cost Records and Audit Rules 2014 are as mentioned below

#### Certificate of Cost Auditor

#### Annexure to the Cost Audit Report

Part - A	
1	General Information
2	General Details of Cost Auditor
3	Cost Accounting Policy
4	Product / Service Details (for the company as a whole)
Part - B : For Manufacturing Section	
1	Quantity Information (For each Product separately with CTA Heading)
2	Abridged Cost Statement (For each Product separately with CTA Heading)
2A	Details of Materials Consumed (For each Product separately with CTA Heading)
2B	Details of Utilities Consumed (For each Product separately with CTA Heading)
2C	Details of Industry Specific Operating Expenses (For each Product separately with CTA Heading)
Part - C : For Service Sector	
1	Quantity Information (for each service separately with service code if applicable)
2	Abridged Cost Statement (for each service separately with service code if applicable)
2A	Details of Materials Consumed (for each service separately with service code if applicable)
2B	Details of Utilities Consumed (for each service separately with service code if applicable)
2C	Details of Industry Specific Expenses (for each service separately with service code if applicable)
Part - D	
1	Product and Service Profitability Statement (for audited products / services)
2	Profit Reconciliation (for the company as a whole)
3	Value Addition and Distribution of Earnings (for the Company as a whole)
4	Financial Position and Ratio Analysis (for the company as a whole)
5	Related Party Transactions (for the company as a whole)
6	Reconciliation of Indirect Taxes (for the company as a whole)





### Multiple Choice Questions (MCQs):

1. General Information is to be reported in which of the following Part of Form CRA 3?
  - a) Part A
  - b) Part B
  - c) Part C
  - d) Part D
2. Details of Material Consumed in 2A for Manufacturing Section is to be reported in which Part of CRA 3?
  - a) Part A
  - b) Part B
  - c) Part C
  - d) Part D
3. Identification of Cost Centres are to be reported in
  - a) General Information
  - b) General Details of Cost Auditor
  - c) Cost Accounting Policy
  - d) Value Addition and Distribution of Earnings
4. Value Additions and Distribution of Earnings are to be reported as per
  - a) Production Records
  - b) Utility Records
  - c) Human Resources Records
  - d) Financial Records
5. Related Party Transactions are to be reported for
  - a) Cost Centres
  - b) Product
  - c) Plant
  - d) Company
6. SRN number of CRA 2 is to be reported in
  - a) General Information
  - b) General Details of Cost Auditor
  - c) Cost Accounting Policy
  - d) Reconciliation of Indirect Taxes



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7. Transfer Price and Normal Price are reported in
- Profit Reconciliation
  - Value Addition and Distribution of Earnings
  - Financial Position and Ratio Analysis
  - Related Party Transactions
8. Profit Reconciliation is to be reported for
- Cost Centre
  - Product
  - Plant
  - Company
9. Corporate Identity Number of the Company is reported in
- General Information
  - General Details of Cost Auditor
  - Product / Service Details
  - Profit Reconciliation
10. Difference in valuation of stock between financial accounts and cost accounts are to be reported in
- Product and Service Profitability Statement
  - Profit Reconciliation
  - Value Addition and Distribution of Earnings
  - Financial Position and Ratio Analysis
11. PAN of Cost Auditor / Cost Auditor's Firm is to be reported in
- General Information
  - General Details of Cost Auditor
  - Cost Accounting Policy
  - Product / Service Details

### Answer:

1	2	3	4	5	6	7	8	9	10	11
a	b	c	d	d	b	d	d	a	b	b

# 2

## Overview of Cost Accounting Standards and GACAP [Study Material - Module 4]

### CAS 10: DIRECT EXPENSES

#### COST ELEMENTS OF JOB WORK COST SHEET

##### Illustration 1:

Following are the cost components

Which Cost Components are relevant for Cost Sheet of Production on Job Work Basis?

Variable Cost Component	
Raw Materials	
Utilities	
Electricity	
Steam	
Raw Water	
Filtered Water	
Demineralised Water	
Cooling Water	
Chilled Water	
Compressed Air	
Nitrogen	
Packing Material	
Job Work Charges	
Fixed Cost Components	
Consumable Stores	
Repairs	
Employee Cost	
Insurance	
Depreciation	
Overheads	



### Solution:

Cost Components for Job Work Cost Sheet as per CAS 10

<b>Variable Cost Components</b>	
Raw Material	
Packing Material	
Job Work Charges	
<b>Fixed Cost Component</b>	
Employee Cost	

### Note 1 for students

Plant & Machinery are usually owned by the 3rd party (Job Work Party)

So following cost components are incurred by Job Work Party for which it charges Job Work Charges

Utilities	
Electricity	
Steam	
Raw Water	
Filtered Water	
Demineralised Water	
Cooling Water	
Chilled Water	
Compressed Air	
Nitrogen	
<b>Consumable Stores</b>	
Repairs	
Insurance	
Depreciation	
Overheads	
plus reasonable margin	

### Note 2 for students

Usually Company has dedicated department to oversee Job Work Operation by 3rd party.

So, employees / executives employed in the department shall appear as Employee Cost.



**CAS 6 : RAW MATERIAL**

**Illustration 2:**

**Foreign Exchange Difference between date of payment and date of transaction**

Qty imported	100 MT
Purchase Price	\$ 100
Exchange Rate on Date of GRV	\$ 80
Exchange Rate on Date of Receipt of Invoice	\$ 82
Exchange Rate on the Date of Payment	\$ 84

At what rate purchase shall be booked in the books of accounts?

**Answer:**

Purchase shall be booked in books of accounts at the Exchange Rate on the date of transaction. As transaction Date is GRV Date, purchaseshall be booked at \$ 80.

So, it shall be booked at = 100 MT × 100 \$ @ 80 \$ = 800000.

As Payment rate is higher then GRV Rate, difference shall get treated as overheads = 840000 - 800000 = 40000

**Illustration 3:**

**Match the Cost Components mentioned in Table A with corresponding Cost Centres mentioned in Table B**

Table A		Table B	
Cost Components		Cost Accounting Standards	
1	Raw Material	I	CAS-7
2	Electricity	II	CAS-9
3	Packing Material	III	CAS-11
4	Employee Cost	IV	CAS-8
5	Repairs to Plant and Machinery	V	CAS-12
6	Depreciation	VI	CAS-17
7	Printing and Stationery	VII	CAS-6
8	Interest on Borrowing	VIII	CAS-16

**Answer:**

Cost Components in Table A is matched with Cost Centres in Table B

Table A		Table B	
Cost Components		Cost Accounting Standards	
1	Raw Material	VII	CAS-6
2	Electricity	IV	CAS-8



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3	Packing Material	II	CAS-9
4	Employee Cost	I	CAS-7
5	Repairs to Plant and Machinery	V	CAS-12
6	Depreciation	VIII	CAS-16
7	Printing and Stationery	III	CAS-11
8	Interest on Borrowing	VI	CAS-17

### Illustration 4:

#### Following Data are collected from Trial Balance of A ltd

- Please Indicate Applicable Cost Accounting Standards against each Cost Component.
- Consumption of Raw Material - Indigenio
- Consumption of Raw Material - Ind Jobwo
- Consumption of Raw Material - Imported
- Consumption of Raw Material - Imp Jobwo
- Basic Salary
- DA
- HRA
- CCA
- Int.On Ecb Loan Of Us\$ 40 Mn. - ICICI B
- Realised Exchange Rate Variation
- Depreciation Factory Building
- Depreciation Non-Factory Building
- Depreciation P & M
- Depreciation Furniture,Fixture Office E
- Water Charges
- Natural Gas Cons for Fuel
- Cons. - Stores & Spares Indigenious
- Cons. - Stores & Spares Imported
- Repairs, Maint & Erection Plant & Mech.
- Repairs, Maint & Erection Plant & Mech.
- Jobwork (Processing) Charges
- Job Work Charges of FG & SFG (TMD)
- Consumption of Packaging Material Indig
- Consumption of Packaging Material Ind J



- Postage Expenses
- Telephone Expenses
- Mobile Phone Expenses
- Printing And Stationery

**Answer:**

Cost Component indicated / mentioned against each cost component	CAS	
Consumption of Raw Material - Indigenio	CAS-6	
Consumption of Raw Material - Ind Jobwo	CAS-6	
Consumption of Raw Material - Imported	CAS-6	
Consumption of Raw Material - Imp Jobwo	CAS-6	
Basic Salary	CAS-7	
DA	CAS-7	
HRA	CAS-7	
CCA	CAS-7	
Int.On Ecb Loan of . - Icici B	CAS-17	
Realised Exchange Rate Variation	CAS-11	
Depreciation Factory Building	CAS-16	
Depreciation Non-Factory Building	CAS-16	
Depreciation P & M	CAS-16	
Depreciation Furniture,Fixture Office E	CAS-16	
Water Charges	CAS-8	
Natural Gas Cons for Fuel	CAS-8	
Cons. - Stores & Spares Indigenious	CAS-6	
Cons. - Stores & Spares Imported	CAS-6	
Repairs, Maint & Erection Plant & Mech.	CAS-12	
Repairs, Maint & Erection Plant & Mech.	CAS-12	
Jobwork (Processing) Charges	CAS-10	Direct Expenses
Job Work Charges of FG & SFG (TMD)	CAS-10	Direct Expenses
Consumption of Packaging Material Indig	CAS-9	
Consumption of Packaging Material Ind J	CAS-9	
Postage Expenses	CAS-11	
Telephone Expenses	CAS-11	
Mobile Phone Expenses	CAS-11	
Printing And Stationery	CAS-11	



**CAS 2 : CAPACITY DETERMINATION**

**Illustration 5:**

**Product A of Company B passes through following 3 cost centres ( processes) before it emerges as finished product**

Process D	Reactor	Capacity is 100 MT
Process E	Centrifuge	Capacity is 90 MT
Process F	Dryer	Capacity is 85 MT

As a Cost Auditor, you are asked to work out Installed Capacity of the Product for Cost Audit Report CRA 3 Part B 1

**Solution :**

Here 3 different processes have 3 different Capacities. So, least of these 3 capacities shall be the limiting factor which shall be considered as Installed Capacity which is 85 MT of Process F Dryer.

So, here at a time, company can manufacture 85 MT of Product A which is its installed capacity.

So, actual production of Product A shall be compared against its installed capacity of 85 MT for ascertaining its capacity utilisation and for other internal & external reporting.

**Illustration 6:**

From below mentioned particulars of GLs, please advise appropriate CAS applicable against each of these GLs Payment of Placement Agency Cost

- Advertising for Recruitment
- Interest penalty paid for delayed payment of Provident Fund
- Remuneration paid to Executive Director
- Remuneration paid to Non Executive Director
- Bonus
- Leave Encashment
- Basic Salary
- Dearness Allowance
- Conveyance Allowance

**Answer:**

Appropriate Applicable GLs are mentioned against each of these GLs

Payment of Placement Agency Cost	CAS 11	Overhead
Advertising for Recruitment	CAS 11	Overhead
Interest penalty paid for delayed payment of Provident Fund		Non Cost Item
Remuneration paid to Executive Director	CAS 7	Employee Cost
Remuneration paid to Non Executive Director	CAS 11	Overhead



Bonus	CAS 7	Employee Cost
Leave Encashment	CAS 7	Employee Cost
Basic Salary	CAS 7	Employee Cost
Dearness Allowance	CAS 7	Employee Cost
Conveyance Allowance	CAS 7	Employee Cost

### CAS 6: RAW MATERIAL COST

#### Illustration 7:

From the following Data available for Company X for Raw Material Y, as a cost auditor, please advise cost components to be considered for cost records for Raw Material as per CAS 6

	₹ in Lacs
Raw Material Cost	70
Utilities Cost	20
Fixed Cost	10

Moreover, it is further provided that Raw Material Cost, inter alia, consists of the following:

Debit Note of Current Year	5
Debit Note of Previous Year	7
Credit Note of Current Year	2
Credit Note of Previous Year	1

#### Solution:

So Raw Material as per CAS 6 shall be worked out as mentioned below

Raw Material Cost as provided in Financial Books of Accounts	70
Less: Debit Note of Previous Year	7
	63
Add: Credit Note of Previous Year	1
	64

This is because Previous Year's Debits and Previous Year's Credit do not pertain to operations of Current Year.

And resultant total expenses shall be

Raw Material Cost as per CAS 6	64
Utilities Cost	20
Fixed Cost	10



### Note for Students

#### Debit Note:

GL RM is debited

RM is increased

So, to nullify the effect of Previous Year Debit Note, RM is to be decreased.

#### Credit Notes:

GL RM is credited

RM is decreased

So, to nullify the effect of Previous Year Credit Note, RM is to be increased.

### CAS 8 : UTILITIES COST

#### Illustration 8:

Company A has procured Electricity from following 3 sources during the year

	Units	Rate	₹ Lacs
State Board	7500000	6	450
Private Player	5000000	5.5	275
Own Power Generating Plant	20000000	4	800
Total	32500000	4.69	1525

Company is manufacturing 3 products X, Y, and Z

Electricity consumed by all these 3 products are mentioned below

20000000 kwh have been consumed by Product X

7500000 kwh electricity have been consumed by Product Y

5000000 kwh electricity have been consumed by Product Z

At what rate, electricity cost shall appear in Product Cost Sheets of X,Y, and Z?

#### Solution:

As per CAS 8, average rate of Electricity shall apply to all the products

In the given case, Average rate is ₹ 4.69 / kwh. So, electricity cost will appear as given below in Product Cost Sheets of X,Y and Z.

	Units	Rate	₹ Lacs
Product X	20000000	4.6923	938.46
Product Y	7500000	4.6923	351.92
Product Z	5000000	4.6923	234.62
Total	32500000	4.6923	1525
Control			1525

## CAS 8 : UTILITIES COST

### Illustration 9:

Following data are given with respect to Electricity Units and Value.

As a Cost Auditor please advise the management how Electricity Cost shall be worked out in accordance with CAS 8

Sources of Electricity	Units	Rate
Electricity Purchased from State Board	10000000	7
Electricity Purchased from Private Sector	10000000	6
Electricity from Own Power Plant	70000000	4.5
Electricity from Wind Mills		
Cost of Electricity	10000000	3
Credit for Electricity	10000000	5.5

Work out the following

- Total Electricity Cost
- Average Rate of Electricity

### Solution:

- Total Electricity Cost

	Units	Rate	₹ Lacs
Electricity Purchased from State Board	10000000	7	700
Electricity Purchased from Private Sector	10000000	6	600
Electricity from Own Power Plant	70000000	4.5	3150
Electricity from Wind Mills			
Cost of Electricity	10000000	3	300
Gross Electricity Cost	100000000		4750
Credit for Electricity from Wind mills	10000000	5.5	550
Net Electricity Cost	100000000	4.2	4200

So, total electricity units which have gone to process is 10 crore kwh. Total Cost of Electricity for Cost Records shall be ₹ 4,200 Lacs net of Wind Mill Credit.

- Average Rate of Electricity Net of Wind Mill Credit shall be ₹ 4.2 per kwh.



### CAS 7 : EMPLOYEE COST

#### Illustration 10:

Following data are made available with respect to Employee Cost of the Company.

As a Cost Auditor, please advise company how to work out employee cost as per CAS 7.

	₹ in Crores
Employee Cost as per Books of Accounts	100
This includes the following	
Value of Employee Settlement of Previous Year	10
Value of Interest Penalty for delayed depositing of PF	5

#### Solution:

Employee Cost for Cost Records in accordance with CAS 7 shall be as mentioned below

Employee Cost as per Books of Accounts	100
Less: Value of Employee Settlement of Previous Year	10
Value of Interest Penalty for delayed depositing of PF	<u>5</u>
Employee Cost as per CAS 7 for Cost Records	<u>85</u>

#### Note for students:

Any Previous Year Debit or Credit or any abnormal expenditure or any penalty shall not form part of cost records as they shall not pertain to operations of current year.

### CAS 11 : ADMINISTRATIVE OVERHEADS

#### Illustration 11:

Following Overhead Expenses are listed below

Please specify which Expenses shall be considered as per CAS 11

- Printing & Stationery
- Travelling Domestic
- Travelling Export
- Corporate Social Responsibility
- Remuneration of Financial Auditors
- Remuneration of Internal Auditors
- Remuneration of Cost Auditors
- Remuneration of GST Auditors
- Remuneration of Secretarial Auditor
- Donation

### Solution:

1. Following shall be considered as per CAS 11
  - Printing & Stationery
  - Travelling Domestic
  - Travelling Export
  - Remuneration of Financial Auditors
  - Remuneration of Internal Auditors
  - Remuneration of Cost Auditors
  - Remuneration of GST Auditors
  - Remuneration of Secretarial Auditor
2. Following two shall be treated as non cost items
  - Corporate Social Responsibility
  - Donation

### Note 1 for students:

Both the expenditure incurred on CSR activities and also any income generated from such activities shall be treated as non cost items in the cost statements.

### Note 2 for students:

Donation being both non operational as well as discretionery nature of expenditure, should not be considered as cost items in the cost statements.

## CAS 6 : RAW MATERIAL

### Illustration 12:

Given below are data pertaining to Raw Materials consumed in the process

Particulars	Quantity	Rate	Value in ₹ Lacs
Imported	10000	100	10
Local	20000	90	18
Self Manufactured Raw Material	30000	75	22.5

Please work out the following as per CAS 6

1. Raw Material Quantity that will go to the Production
2. Raw Material Value that will be charged to the Production



3. Rate of Raw Material at which it will be charged to Production

**Solution:**

Working:

Particulars	Quantity (kg)	Rate (₹/kg)	Value in ₹ Lacs
Imported	10000	100	10
Local	20000	90	18
Self Manufactured Raw Material	30000	75	22.5
Total	60000	84.17	50.5

1. Raw Material Quantity that will go to the Production 60000 kg.
2. Raw Material Value that will be charged to the Production 50.5 lacs
3. Rate of Raw Material at which it will be charged to Production 84.17 (₹/kg)

### CAS 10 : DIRECT EXPENSES

**Illustration 13:**

Company X is getting manufactured Product Y on Job Work Basis

During year it has incurred Rs 5 Crore on Job Work Charges

Please answer the following.

1. Which CAS shall be applicable for Job Work Charges?
2. Whether it shall be shown as separate line item in the cost sheet?
3. What advantages company shall derive by showing it as separate Line Item apart from compliance with the applicable CAS?

**Solution:**

1. CAS 10 Direct Expenses is applicable for Job Work Charges.
2. As separate CAS 10 is mandated for Job Work Charges being Direct Expense, it shall be shown as separate Line Item in Product Cost Sheet.
3. It shall serve as Management Information System which shall help in monitoring its selling price vis a vis Job Work Charges as usually it forms substantial part of cost of production apart from Raw Material Cost.

## CAS 6 : RAW MATERIAL

### Illustration 14:

Following data are given for Raw Material X used in Product A and Product B

Particulars	Quantity	Rate	Value in ₹ Lacs
Used in Product A	10000	10	1
Recovered but not saleable	500	nil	nil
Used in Product B	7000	10	0.7
Recovered and saleable	500	2	0.01

Calculate the Raw Material Cost for Product A & Product B

### Solution:

According to CAS 6, credit for sale of recovered raw material should be given to the product which has given rise to this recovered raw material and which is saleable

In the given situation,

Raw Material X used in Product A is recovered but not saleable.

Whereas Raw Material X used in Product B is recovered and saleable also.

So, accordingly Raw Material Cost for Product A and Product B shall be calculated as mentioned below

Particulars	Quantity	Rate	Value in ₹ Lacs
Used in Product A	10000	10	1
Recovered but not saleable	500	0	0
			1
Used in Product B	7000	10	0.7
Recovered and saleable	500	2	0.01
			0.69

So for Product A : Cost of Raw Material X shall be ₹ 1 Lac.

For Product B : Cost of Raw Material X shall be ₹ 0.69 Lac.

## CAS 6 : RAW MATERIAL COST

### Illustration 15:

Following Particulars are provided for Raw Material X

Purchase Value of Raw Material as per Bill	100000
Transportation Charges	1000
Demmorage paid	7000

Please calculate cost of raw material for cost records as per CAS 6



### Solution:

Cost of Raw Material for Cost Records as per CAS 6	100000
Purchase Value of Raw Material as per Bill	1000
Transportation Charges	101000

Demurrage being penalty shall not form part of raw material cost, it shall be reflected as non cost item, part of reconciliation statement.

### CAS 6 : RAW MATERIAL COST

#### Illustration 16:

Raw Material X is supplied by supplier A, B & C

It is used in Product D, E & F

Purchased from Supplier A	1000 kg @ 25	consumed by Product D
Purchased from Supplier B	2000 kg @ 27	consumed by Product E
Purchased from Supplier C	1500 kg @ 23	consumed by Product F

Applying CAS 6, what shall be the rate and value of Raw Material X in Product D, Product E & Product F?

#### Solution:

Raw Material X purchased from 3 different suppliers A, B and C in 3 different quantities and at 3 different rates at 25, 27 & 23 shall be applied at weightage average rate to Products D, E & F so as to avoid either under charging or over charging of cost to any of these 3 products D, E & F.

And that is the spirit of CAS 6

So weightage average rate that shall be applicable shall be as mentioned below

From Supplier A	1000	25	25000
From Supplier B	2000	27	54000
From Supplier C	1500	23	34500
Total	4500	25.22	113500

So quantity, rate & value of Raw Material X in Product D, E & F shall be as mentioned below

Product D	1000	25.22	25222.22222
Product E	2000	25.22	50444.44444
Product F	1500	25.22	37833.33333
	4500	25.22	113500



## CAS 2 : CAPACITY DETERMINATION

### Illustration 17:

Following data are available with respect to cost elements

Particulars	₹ Lacs
Raw Material	70
Variable Cost	10
Fixed Cost	30
	110

Actual Capacity Utilisation = 50% = 50000 units

Normal Capacity Utilisation of last 3 years = 80% = 80000 units

Please work out the fixed cost for cost records as per CAS 2

### Solution:

As per CAS 2, capacity utilisation shall be considered as per actual capacity utilisation as the same is significantly less than the normal capacity utilisation.

Here normal capacity utilisation achieved in last 3 years is 80%.

However, actual capacity utilisation achieved is 50%.

So, fixed cost equivalent to 50% shall be considered for cost records and for pricing decision =  $30 \div 80000 \times 50000 = 18.75$ .

So, cost that shall be considered for cost records & for pricing shall be

Particulars	₹ Lacs
Raw Material	70
Variable Cost	10
Fixed Cost	18.75
	98.75

Fixed Cost relating to significant under utilised capacity which is in this case is  $(30 - 18.75) = 11.25$  lacs shall be reported as non cost item to be part of reconciliation statement.

Control =  $110 - 98.75 = 11.25$ .

## CAS 6 : RAW MATERIAL COST

### Illustration 18:

From the data given below, please work out as per CAS 6 the rate at which Raw Material shall appear in Product Cost Sheet?



## Work Book : Cost and Management Audit

Raw Material X Purchased	1000 MT
Normal Evaporation Loss 2 %	20
Purchase Rate	10000
Purchase Value	100 ₹ Lacs

### Solution:

As per CAS 6, Raw Material Rate shall be worked out as mentioned below

Quantity available for consumption after normal loss

Raw Material X Purchased	1000 MT
Normal Evaporation Loss 2 %	20 MT
Quantity available for consumption	980 MT
Purchase Value	100 ₹ Lacs

So, purchase value of 100 lacs shall be divided by 980 MT and the rate shall be arrived at =  $100 \times 100000/980 = 10204.08163$ .

So, though original purchase was purchased at 10000 but after reducing the normal evaporation loss of 20, it shall appear in product cost sheet at the rate of 10204 with total value of 100 lacs remaining the same.

## CAS 8 : UTILITIES COST

### Illustration 19:

Following data are made available with respect to Steam

Gross Generation of Steam 350000 MT

Normal Line Losses 5%

Steam Value 9000 Lac

At what rate, steam shall be charged to the Product ?

### Solution:

Steam Generation	350000 MT
Normal Line Loss	5%
Normal Line Loss	17500 MT
So Quantity of Steam available for Productive Usage	332500 MT
Value of Steam	9000 Lac

Rate of Steam at which it shall be charged to the Product  $(9000 \times 100000/332500)$  2707

So, it shall be charged at 2707 per MT to Product.

## CAS 6 : CONSUMABLE STORES

### Illustration 20:

Following details are extracted from financial books of accounts for consumable stores

Particulars		₹ Lacs
Stores & Spares Consumed	Indigenous	6000
Stores & Spares Consumed	Imported	1000

Following questions are required to be answered.

1. Which CAS is applicable for consumable stores?
2. How Company can comply with these standards?
3. Which benefits are derived by complying with this CAS apart from complying with Statutory Requirements?

### Solution:

1. CAS 6 is applicable to Consumable Stores
2. Company can comply with this standard by ensuring the following
  - ☑ Maintenance of Quantity and Value Records for all consumable stores items
  - ☑ Receipt, Issue and Balances
  - ☑ Showing expenses on Consumable Stores as a separate line item in Product Cost Sheet
3. Benefits which company shall derive by complying with this standard
  - ☑ It shall help in monitoring the inventory level of all important consumable stores on perpetual basis
  - ☑ This shall ensure uninterrupted running of the plant
  - ☑ Moreover, showing as a separate line item shall serve the purpose of MIS Report with respect to expense on consumable stores, both in totality & per unit of product

## CAS 12 : REPAIRS COST

### Illustration 21:

Following data about Repairs Cost have been extracted from Financial Books of Accounts

Particulars	₹ Lacs
Repairs to Building	100
Repairs to Plant & Machinery	4100
Repairs to Furniture & Fixures	400

Which CAS shall be applicable ?

How Company shall be able to comply with this CAS ?

What benefits Company Shall derive by complying with these CAS ?



### Solution:

1. CAS 12 shall be applicable
2. Company shall be able to comply with this CAS by ensuring the following
  - ☑ As required by CRA 1, by maintaining proper records of Repairs & Maintenance Cost incurred by various cost centres
  - ☑ This shall inter alia include expenses on various AMC / ARC with respect to various
  - ☑ Production Cost Centres like Reactor, Centrifuge, Dryer
  - ☑ As required by CAS 12, by showing it as separate line item in Product Cost Sheet
3. Apart from complying with CAS 12, it will also serve as Management Information System, whereby company shall be able to relate the incidence of repairs expenses with age of various equipments / plant & machinery. Also there is a practice in the Industry to express Repairs Cost as % of Net Asset Value.

### CAS 16 : DEPRECIATION

#### Illustration 22:

Following Data are extracted from the books of accounts for Depreciation

Particulars	₹ Lacs
Depreciation Factory Building	900
Depreciation Plant & Machinery	17500
Depreciation Furniture & Fixtures	110
Depreciation Vehicles	14

Which CAS shall be applicable ?

How Company shall be able to comply with this CAS ?

What benefits Company shall derive by complying with this CAS ?

### Solution:

1. Applicable CAS is 16
2. As required by CRA 1, by maintaining proper records for Assets which are used for Production. Also known as Cost Centrewise Fixed Assest Register. By showing Depreciation for Production Cost Centre as separate Line Item in Product Cost Sheet
3. Depreciation per Unit of Production shall be an indicator of capacity utilisation  
Whether Capacity Utilisation is optimum or under utilised that shall be usually reflected by Depreciation Per Unit of Product.

## CAS 9 : PACKING MATERIAL COST

### Illustration 23:

Following data are available with respect to Fibre Drum Used in the Company

Particulars	Qty	Rate	Value
Fibre Drum Used for Packing	4000	550	22
Fibre Drum used for Material Handling	200	550	1.1

How above shall be treated in Cost Records keeping in view its compliance with CAS 9

### Solution:

1. Value of Fibre Drum used for Packing shall be shown as separate Line Item as Packing Cost in Product Cost Sheet
2. Value of Fibre Drum used as Material Handling shall be shown as separate line item as Material Handling Cost in the Cost Sheet of the Product for which these are used.  
If not possible to show as separate line item, then may be shown as Production Overheads.

## CAS 7 : EMPLOYEE COST

### Illustration 24:

Following data are available with respect to Employee Cost

Particulars	₹ Lacs
Gross Pay	12,00,000
Tax Paid	2,40,000
Net Pay	9,60,000

To comply with CAS 7, as cost auditor which employee cost you shall consider for Cost Records ?

### Solution:

As per CAS 7, Gross Pay shall be considered for Cost Records which in this case is 1200000

### Reasons:

1. Company has shelved out ₹ 12 Lacs
2. Out of which ₹ 9.6 Lacs have gone to the kitty of Employee
3. Whereas balance ₹ 2.4 Lacs have gone to the kitty of Government
4. And CAS 7 deals with ₹ 12 Lacs and not with ₹ 9.6 Lacs and ₹ 2.4 Lacs



### CAS 2 : CAPACITY DETERMINATION

#### Illustration 25:

Company G is making Product C

Capacity to manufacture Product C is 800 mt per day

For the period April to Dec, Product C is manufactured @ 800 mt per day

From 1st January, Company G has enhanced the capacity of Product C to 1200 mt per day

During the year, Company G has manufactured Product C as mentioned below

Particulars	Qty (mt)
30 days × 9 months × 800 mt per day	216000
30 days × 3 months × 1150 mt per day	103500
	319500

Company has given its cost records to cost auditor providing the capacity utilisation as mentioned below

Particulars	
installed capacity considered is $360 \times 1200$ mt per day	432000
capacity utilisation given is $319500 / 432000$	73.96

#### Solution:

Cost Auditor has reworked installed capacity considering CAS 2

installed capacity for 1st 9 months is 800 mt per day

installed capacity for next 3 months is 1200 mt per day

Particulars	
so reworked installed capacity shall be = $30 \times 9 \times 800 + 30 \times 3 \times 1200$	324000
actual production is	319500
capacity utilisation as per CAS 2 shall be $319500 / 324000$	98.61

So, installed capacity is reworked from 432000 mt to 324000 mt.

So, reworked capacity utilisation shall be 98.61 % and not 73.96 %.

#### Note for Students:

- Installed capacity should be worked keeping in view 800 mt per day for 1st 9 months and 1200 mt per day for next 3 months.
- 7 days annual maintenance is not considered both for working out installed capacity and actual production.



## CAS : CSR CONTRIBUTION

### Illustration 26:

Company A has following GL in its Financial Accounts

CSR Contribution to Company's Education Society

As a Cost Auditor, please advise its treatment in Cost Records as per relevant CAS

### Solution:

All CSR expenses are incurred in activities that are in the nature of philanthropic activities whose present or future economic benefits do not flow to the company or any surplus/profits arising from such activities can not be recognised as business profits of the company.

Hence, CSR expenses are not included in cost records

Therefore, both the expenditure on CSR Activities and also any income generated from such activities shall be treated as non cost items in the cost statements of the company.

## CAS 8 : UTILITIES COST

### Illustration 27:

Company G obtains Electricity from Private Player G for which it has a following Financial GL in Books of Accounts

Electricity from Private Player G ₹600 Cr.

This value includes payment of ₹ 40 Cr related to Previous Year which was under dispute and payment for which has been released during the Current Year.

As a Cost Auditor please advise the management how Electricity Cost shall be worked out in accordance with CAS 8.

### Solution:

Electricity Cost in accordance with CAS 8

Particulars	₹ Cr.
Electricity from Private Player G	600
Less: Payment of 40 Cr related to previous year made during the current year	40
	560

### Note for students:

In Cost Records, value of this GL shall be considered of ₹ 560 Cr.

₹ 40 Cr shall be reflected in Reconciliation Statement.



### CAS 6 : RAW MATERIAL COST

#### Illustration 28:

During the course of audit of Cost Records, Cost Auditor has come across the following financial GL

Particulars	₹ Lacs
Raw Material Consumed during Trial Run	1000
Raw Material Consumed for Commercial Production	7000

As a Cost Auditor, please advise value to be considered in Product Cost Sheet as per CAS 6 ?

#### Solution:

As per CAS 6, this shall be treated as mentioned below

Raw Material Consumed during Trial Run ₹ 1000 Lacs

This shall not become part of Product Cost Sheet

It shall be shown in Profit Reconciliation Statement

It shall be capitalised in the cost of project for which trial run is undertaken

Raw Material Consumed for Commercial Production ₹ 7000 Lacs

This shall become part of Product Cost Sheet.

#### Note for students:

Raw Material Consumed during Trial Run of ₹ 1,000 Lacs shall become part of Project Cost and shall be capitalised. Eventually, there shall be transfer entry.

**Debit :** Project Cost

**Credit :** Raw Material Consumed during trial run

So after this transfer entry, there is no such GL and so no need to show it in Reconciliation Statement.

### CAS 2 : CAPACITY DETERMINATION

#### Illustration 29:

Company G is manufacturing Product C having its By Product BP Installed Capacity to Manufacture C is 1200 MT per day for 358 days with total 365 days available and 7 days for annual planned maintenance.

So installed capacity shall be  $358 \times 1200 = 429600$  MT

Now Ratio of By Product BP is for 1 MT of Product C, By Product BP shall be 1 MT

However company can utilise / sale / dispose of only 1100 MT of By Product BP per day

So total By Product BP company can utilise / sale / dispose shall be  $1100 \times 358 = 393800$  MT

During the year Company has produced 354420 MT of Product C



As a Cost Auditor, please calculate Capacity Utilisation as per CAS 2

**Solution:**

Capacity Utilisation for Product C as per CAS 2 shall be worked out as mentioned below

Installed Capacity (1100 × 358)	393800 MT
Actual Production	354420 MT
Capacity Utilisation shall be $(394420 / 393800 \times 100)$	90%

So capacity Utilisation as per CAS 2 for Product C shall be 90 % for Cost Audit Purpose as well as for any Internal and External Reporting.

**Note for Students:**

As per specification provided by supplier of technology, Company G can make 1200 × 358 of Product C	429600 MT
However, to utilise / sale / dispose of resultant by product BP is limiting factor which is 1100 MT per day converting it annually, it comes to 1100 × 358	393800 MT

So, for CAS 2, Installed capacity of Product C shall be considered as 393800 MT and not 429600 MT for the year.

**CAS 2: CAPACITY DETERMINATION**

**Illustration 30:**

Company G is manufacturing Product C. Its Installed Capacity for April to Sep is 800 MT per Day. It has enhance Capacity of Product C to 1200 MT per Day. During the Year Company has manufactured Product C

April to Sep (30 × 6 × 800)	144000
Oct to March (30 × 6-7 × 1150)	198950
	342950
Installed Capacity (30 × 12-7 × 800)	282400
Capacity Utilisation Reported	121.4412

In CRA 3, in Part B 1, Company has reported Capacity Utilisation as 121.44% and given it to Cost Auditor for audit. How Cost Auditor shall work out Capacity Utilisation as per CAS 2?

**Solution:**

It needs to be made clear that CAS 2 does not permit reporting or endorsing of capacity utilisation of more then 100%. Reason being no plant / equipment can produce more then its rated capacity.



## Work Book : Cost and Management Audit

So, here it to be ensured that installed capacity has been correctly worked out as per CAS 2

So, installed capacity as per CAS 2 shall be worked as mentioned below

April to Sep ( $30 \times 6 \times 800$ )	144000
Oct to March ( $30 \times 6-7 \times 1200$ )	207600
	351600
Actual Production	
April to Sep	144000
Oct to March	198950
	342950

Capacity utilisation shall be  $(342950 / 351600 \times 100) = 97.53981797$

So, capacity utilisation as per CAS 2 shall be 97.54 % which shall be reported in CRA 3, Part B 1, Quantitative Information.

## 3

## Management Reporting Issues and Analysis [Study Material - Module 10]

### Illustration 1 :

Negotiating Job Work through own manufactured Cost Sheet

Company A manufactures Product X cost sheet of which is given below

Due to increase in demand, it wants to manufacture additional quantity through job work by 3rd party

#### Cost of Production - Product X

Sl. No.	Particulars	Amount ₹ Lacs	Cost (₹) / MT
	Production	36204	
(A)	Variable Cost		
1	Raw Material Consumption	12377.16	34187.27
2	Electricity Charges	40.54	111.98
3	Packing Material Consumption	466.66	1288.97
	Total Variable Cost (A)	12884.36	35588.22
(B)	Fixed Cost		
1	Stores, Spares, Repairs & Maintenance	261.93	723.48
2	Factory Overhead & Pollution Control	32.53	89.85
3	Insurance	10.62	29.33
4	Employee's Cost	100.00	276.21
5	Administration & Other Overhead	140.59	388.33
6	Marketing Expenses	372.27	1028.25
7	Interest	7.19	19.86
8	Depreciation	271.55	750.04
	Total Fixed Cost (B)	1196.67	3305.35
	Total Cost (A+B)	14081.03	38893.57



## Work Book : Cost and Management Audit

Company wants to negotiate job work charges with the help of this cost sheet. Please advise, how job work charges shall be negotiated based on this Cost Sheet ?

### Solution:

While negotiation, following points should be noted

Cost that shall be incurred by the company for job work through 3rd party	Cost incurred for self manufactured		
		₹ Lacs	₹ / MT
Job Work Charges that should be comparable to conversion cost of self manufactured plus reasonable profit say 10 %	Electricity Charges	40.54	111.98
	Stores, Spares, Repairs & Maintenance	261.93	723.48
	Factory Overhead & Pollution Control	32.53	89.85
	Insurance	10.62	29.33
	Depreciation	271.55	750.04
	Employee Cost	100.00	276.00
	Administration & Other Overhead	140.59	388.33
	Interest	7.19	19.86
		864.94	2388.87
	Plus Margin 10 %		238.89
			2627.76

So, company should negotiate job work on the basis of conversion charges plus margin for self manufactured which is ₹ 2,627 per MT. Marketing Expenses is not considered in above calculation as it is not part of conversion cost.

## Capacity Utilisation

### Illustration 2:

Company X is manufacturing Product Y which is presently being operated at 50% of its installed capacity. Due to increase in its market demand, now its management has desired to operate it at 75 % capacity to meet its increasing demand.

Its cost structure at 50% capacity is as given below.

Installed Capacity of Product Y is 100000 Units

Sl. No.	Particulars	
	<b>Variable Cost</b>	
1	Raw Material (1 Unit per Unit of Product Y)	₹ 7000 per Unit
2	Packing Material (1 Unit per Unit of Product Y)	₹ 100 per unit

3	Utilities (1 Unit per Unit of Product Y)	₹ 2000 per unit
	<b>Fixed Cost</b>	₹
1	Employee Cost	10,00,00,000
2	Consumable Stores	2,50,00,000
3	Repaires	1,00,00,000
4	Depreciation	1,00,00,000
5	Insurance	10,00,000
6	Overheads	70,00,000

Following points may please be considered

1. Historical past data shows that at 75% capacity, specific utilities consumption shall be 0.9 unit per Unit of Product Y
2. Discussion with In Charge of Maintance provides for 10% increase in Consumable Stores & Repaires Expenses for 75% capacity
3. Management has decided to consider 5% increase in Overheads

Please work out the cost advantage occuring due to operating at higher capacity of 75%

**Solution:**

Working for 50 % capacity (For Reference Please)

Production / sale = 50000

Particulars	₹ Lacs	₹ / Unit
<b>Variable Cost</b>		
Raw Material	3,500	7,000
Utilities	1,000	2,000
Packing	50	100
	<b>4,550</b>	9,100
		9100
<b>Fixed Cost</b>		
Employee Cost	1,000	2,000
Consumable Stores	250	500
Repaires	100	200
Depreciation	100	200
Insurance	10	20
Overheads	70	140



## Work Book : Cost and Management Audit

	1,530	3,060
		3,060
		12,160
		12,160

Working for 75 % capacity (For Reference Please)

Production / sale = 75000

Particulars	₹ Lacs	₹ / Unit
<b>Variable Cost</b>		
Raw Material	5,250	7,000
Utilities	1,350	1,800
Packing	75	100
	6,675	8,900
		8,900
<b>Fixed Cost</b>		
Employee Cost	1,000	1,333
Consumable Stores	275	367
Repaires	110	147
Depreciation	100	133
Insurance	10	13
Overheads	73.5	98
	1,568.5	2,091
		2,091.333
		1,0991.33
		1,0991.33

Gain to the Company

In Variable Cost	9,100	8,900	200
In Fixed Cost	3,060	2,091	969
In Total Cost	12,160	10,991	1,169

### Illustration 3:

Maximum Permissible Cost of Raw Material Y

Following data are available from Cost Records of Company X which manufactures Product Y using Raw Material Z which constitutes major cost of Product Y

Selling Price	86,002 ₹ / MT
Desired Margin	15% of selling price
Content of Raw Material Z in product Y	2.165536 MT per MT of Product Y
Conversion Cost of Product Y	25,882 ₹ / MT
Cost of Other Raw Material in Product Y	10,008 ₹ / MT

As a Cost Auditor of the Company, you are required to advise for Maximum Permissible Cost at which Raw Material Z should be procured ?

**Solution:**

Working done by Cost Auditor

1	Selling price of Product Y	86,002 ₹ / MT
2	Less: Desired Margin	12,900 ₹ / MT
3	Target Cost of Product Y ( Maximum Permissible Cost of Product Y)	73,102 ₹ / MT
4	Less: Conversion Cost	25,882 ₹ / MT
5	Total Raw Material Cost of Product Y	47,220 ₹ / MT
6	Less : Cost of Other Raw Material	10,008 ₹ / MT
7	Maximum Permissible Cost of Raw Material Z	37,212 ₹ / MT
8	Usage of Raw Material Z in Product Y	2.165536386 ₹ / MT
9	Maximum Permissible Procurement Cost of Key Raw Material Z	17,183.5949 ₹ / MT

So, Maximum Permissible Cost of Raw Material Y works out to be 17,184 ₹ / Mt.

**PRICING DECISION**

**Illustration 4:**

During the course of discussion with marketing people, cost auditor has come to know that product, which is produced both as liquid and as powder is priced at weighted average same price. As a cost auditor, what you would look into and which advise you will offer ?

**Solution:**

1st cost auditor thoroughly understood the process of both the products, liquid and powder. Powder is 1 additional step after liquid stage in which liquid is dried using dryer. So, it will be incorrect to have single uniform weighted average costing & pricing from them. So, for powder, cost auditor suggested additional cost centre in which liquid shall be the raw material to which additional conversion cost incurred at dryer stage shall be added, its costing shall be arrived at and shall be priced accordingly.



### Illustration 5:

Below mentioned data are provided

Selling Price	86,000 ₹ / MT
Variable Cost	47,187 ₹ / MT
Fixed Cost	4,557 ₹ / MT

Please calculate the following

1. Break even point in units and in rupees
2. Number of units that must be sold to earn profits of ₹ 6 crore per year

### Solution:

1.

Selling Price	86,000 ₹ / MT
Variable Cost	47,187 ₹ / MT
Contribution	38,813 ₹ / MT

Break even point = Fixed Cost / Contribution per unit

Break Even Point in Units = 11,740.91 MT

Break even point in rupees = 10,097.26 ₹ Lacs

2. No of units that must be sold to earn profit of ₹ 6 crore per year

Desired Profit / Contribution per unit = 1546 MT

3.

So Break Even Units are	11,741 MT
Units to earn desired profit of ₹ 6 Crore	1,546 MT
	13,287 MT

So at sale of 13287 units, after meeting BEP, there shall be desired profit of ₹ 6 Crore

4. Check Point

Units Sold	13,287 MT
Contribution per Unit	38,813 ₹/MT
Total Contribution	5,157 ₹/Lacs
Less Fixed Cost	4,557 ₹/Lacs
Desired Profit	600 ₹/Lacs





**Illustration 6:**

**Variable Cost and Fixed Cost For Contribution Analysis and Break Even Point**

Given below are list of cost components

Please mark against each cost component whether variable or fixed

This shall facilitate working out contribution & break even point

- Raw Material
- Electricity
- Cooling Water
- Chilled Water
- Filtered Water
- Demineralised Water
- Steam
- Compressed Air
- Packing
- Consumable Stores
- Repairs Cost
- Employee Cost
- Insurance
- Depreciation
- Overheads

**Solution:**

Raw Material	Variable
Electricity	Variable
Cooling Water	Variable
Chilled Water	Variable
Filtered Water	Variable
Demineralised Water	Variable
Steam	Variable
Compressed Air	Variable
Consumable Stores	Variable
Packing	Variable



Repairs Cost	Fixed
Employee Cost	Fixed
Insurance	Fixed
Depreciation	Fixed
Overheads	Fixed

### Illustration 7:

#### Optimum Product Mix

- Company X is manufacturing 2 products
- Product A and Product B
- Both are manufactured from same Plant & Machinery
- At a time either A can be made or B can be made
- Process Cycle time for both Product is same which is 67 MT per day
- Contribution for Product A is 40000 per MT and Product B is 30000 per MT
- Market can absorb 14000 MT each of Product A and Product B
- Fixed Cost per Annum 4,500 ₹ Lacs

As a Cost Auditor, you are advised for Optimum Product Mix of Product A and Product B

#### Solution:

As Product A Contribute more, 1st management should cater 14000 of Product A to the Market

Total no of Days that shall be required	14000 / 67	208.9552239 days	209
Total contribution from 14000 MT	14000 × 40000	5,600 ₹ Lacs	

In balance (355 - 209 = 146 ) days, Total production, sale and contribution from Product B shall be

146 × 67	9782 MT
Contribution per MT	30,000 ₹ /MT
Total Contribution	2,934.6 ₹ Lacs

So, following shall be optimum product mix

Product A = 14000 MT & 67 MT per Day =  $14000 / 67 = 208.9552239 = 209$  days.

Product B = (355 - 209) = 146 days × 67 mt per day = 9782 mt.



No of Days for Product A	209 days
No of Days for Product B	146 days
	355 days
for annual maintenance	10 days
	365 days

Qty that shall be manufactured

Product A = 14000 MT

Product B = 9782 MT

<b>Total Contribution</b>			
Product A	14000 MT	40000	5600
Product B	9782 MT	30000	2935
Total Contribution			8535
<b>Total Profit</b>			
Contribution			8535
Fixed Cost			4500
Profit			4035

**Note for Students:**

1. Capacity to manufacture is ( 355 × 67 ) = 23785 MT

Either 23785 MT of Product A or 23785 MT of Product B or any in between combination can be manufactured

2. Contribution

Product A	40,000 ₹ /MT
Product B	30,000 ₹ /MT

3. Market can absorb

Product A	14000 MT
Product B	14000 MT

4. So eventually, to maximise profit, company shall manufacture n sale

Product A	14000 MT
Product B	9782 MT



**Illustration 8:**

**Contribution and Profitability**

Following data are made available by Company X for its Product A

	₹ Lacs
Sales	24,475
Less: Variable Cost	13,429
Contribution	11,046
Less Fixed Cost	4,557
Profit	6,489

From the Above Data, Cost Auditor is asked to advise for the following

1. P / V Ratio
2. Break even point of sales (in ₹ Lacs)
3. Contribution at Break Even point of sales (in ₹ Lacs)
4. Profit at Actual Sales

**Solution:**

1. P / V Ratio (contribution / sales × 100)	45.13
2. Break even point of sales ( in ₹ Lacs) (fixed expenses / p/v ratio)	10097.1
3. Contribution at Break Even point of sales ( in ₹ Lacs) at break even point, sales is 10097 lacs contribution % is 45.13 So, contribution shall be sales at bep × p/v ratio (which is equal to fixed cost)	4557

4. Profit at Actual Sales

Actual Sales	24475
Sales at BEP	10097.1
Sales above BEP	14378
P/V Ratio	45.13
Contribution	6489

**Illustration 9:**

**Internal Bench Marking**

Company A manufactures Product B at 2 different locations C and D, cost of which is given as mentioned below

	Product B At Location C (₹ / MT)	%	Product B At Location D (₹ / MT)	%	₹ / MT	%
<b>Variable Cost Elements</b>						
Raw Material	4250	0.15	4600	0.15		
Electricity	14781	0.53	17067	0.56		
Water, Fuel n Natural Gas	1925	0.07	1672	0.05		
Packing Material	1000	0.04	1000	0.03		
Total Variable Cost	21956		24339		2383	
<b>Fixed Cost Elements</b>						
Stores & Spares	678	0.02	738	0.02		
Repaires	452	0.02	492	0.02		
Insurance	150	0.01	112	0.00		
Employee Cost	2700	0.10	2500	0.08		
Administration Overheads	255	0.01	275	0.01		
Interest	70	0.00	43	0.00		
Depreciation	1630	0.06	2186	0.07		
Total Fixed Cost	5935		6346		411	
Total Cost	27891		30685		2794	10.02

Company has decided to bench mark performance of Product B at Location C and Location D

Please advise the company which areas company should focus to bench mark ?

**Solution:**

Following factors shall be looked in to it which may offer scope for Cost optimisation and therefore, profit improvement

1. Raw Material:

- Uniform Purchase Policy
- Uniform Vendor Base
- Possibility to combine purchase order to get quantity discount
- Monitoring / controlling / reducing Input Output Ratio



2. Electricity:
  - Explore Energy Efficient Plant & Machinery
  - Explore the possibility of putting up wind mills, solar
3. Consumable Stores:
  - Purchase should be from OEM ( Original Equipment Manufacture)
4. Repairs:
  - Have well laid down policy to award AMC / ARC to trusted Vendors with proven track record
5. Employee Cost and Depreciation:
  - Ensure optimum capacity utilisation
6. Overheads:
  - Look for descretionery / non value adding items

### Illustration 10:

Negotiating for Job Work Charges

Company G gets Product A manufactured on Job Work Bases from Job Worker B

10000 MT per year are manufactured @ 6000 per MT

Job Work Charges are 10% of total cost.

Now due to increase in demand, company wants to have another 2000 mt through Job Work Basis

It is not possible for Job Worker B to make any additional quantity as it has reached 100 % capacity

So Company G has turned to another Job Worker S to make it who has got surplus capacity

S has quated @ 6250 per MT.

Should Company accept this quote and go for additional 2000 mt ?

### Solution:

Assuming other costs are remaining shall remain more or less constant, an increase of 250 shall make Job Work Charges as  $6250 / 60250 = 10.37344 \%$

As Product is having increasing demand, it is reasonable to assume that Product is enjoying good contribution and good profitability

So, with .37% increase in job work charges, it shall still enjoy good contribution & good profitability.

So, it should accept this quote and go for additional 2000 mt

Total increase in cost shall be  $250/60000 = 0.416667\%$  increase on original cost.

### Conclusion:

In either of the following 2 situations, company should accept this quote of 6250 and go for additional 2000 mt as product is in good demand enjoying good contribution and good profitability.

1. It is not possible to reduce other cost components or increase selling price by 250.
2. It is possible to reduce other cost component or increase selling price by 250.

## CASE STUDY

### Case Study 1: MCQ on Productivity

Company A manufactures product X.

400000 MT are produced employing 300 employees

This translates into  $400000 / 300 = 1333.33$  mt per employee

Now company wants to improve it to 1100 mt per employee through training

### Multiple Choice Question (MCQ):

This relates to

- 1) Raw Material Productivity
- 2) Packing Material Productivity
- 3) Natural Gas Productivity
- 4) Employee Productivity

Correct Answer is 4) Employee Productivity

### Case Study 2 : MCQ on Productivity

Company A manufactures Product X using main Raw Material Y having Input Output ratio of 1 : 1

Through its R & D Activities, Company wants to improve this input output ratio to 0.75 : 1



### Multiple Choice Question (MCQ):

This refers to

- 1) Raw Material Productivity
- 2) Packing Material Productivity
- 3) Natural Gas Productivity
- 4) Employee Productivity

Correct Answer is 1) Raw Material Productivity

### Case Study 3 : MCQ on Productivity

Company G manufactures Product CS which gives rise to process waste PW.

1 MT of Product CS gives rise to .50 MT of process waste PW

To reduce this Process Waste PW to .30 MT for 1 MT of Product CS, company G has modified its manufacturing process

### Multiple Choice Question (MCQ):

This refers to

- 1) Labour Productivity
- 2) Capital Productivity
- 3) Sales Productivity
- 4) Environment Productivity

Correct Answer is 4) Environment Productivity



# 4

## Management Audit in Different Functions [Study Material - Module 11]

### CASE STUDY

#### Case Study 1: MCQ on CSR

Particulars	₹ Cr
Net Worth	375
Turnover	125
Net Profit	15

#### Multiple Choice Question:

CSR is applicable due to its meeting

- 1) Net worth criteria
- 2) Turnover criteria
- 3) Net Profit criteria
- 4) All of the above

Correct answer is 3) Net Profit Criteria

#### Note for Students:

As per section 135(1) of the Companies Act, 2013, CSR provisions shall be applicable to companies, which fulfil any of the following criteria during immediately preceding financial year

- 1) Net worth of ₹ 500 crore or more or
- 2) Turnover of ₹ 1000 crore or more or
- 3) Net Profit of ₹ 5 crore or more

#### Case Study 2 : MCQ on CSR

Company A has 1st time satisfied the conditions of applicability of CSR in F.Y. 2023-24 by virtue of satisfying the condition of Net Profit of ₹ 5 Crores or more, ₹ 7 Crores.



So, from F.Y. 2024-25, Company A needs to spend on CSR Activities.

### Multiple Choice Question

CSR amount need to be spent in F.Y. 2024-25 shall be

- 1) 2% of net profits of F.Y. 2023-24
- 2) 2% of average net profits of F.Y. 2023-24 & F.Y. 2022-23
- 3) 2% of average net profits of preceding 3 years (i.e.F.Y. 2021-22, F.Y. 2022-23, F.Y. 2023-24)
- 4) None of the above

**Correct Answer** is 3) 2 % of average net profits of preceding 3 years (F.Y. 2021-22, F.Y. 2022-23, F.Y. 2023-24)

### Note for Students

It is assumed that Company A has been incorporated in F.Y. 2021-22 or before.

### Case Study 3 : Energy Audit

Company has prioritise Energy Saving Measures into

- 1) No Investment
- 2) Low Investment
- 3) High Investment

### Multiple Choice Question

This pertains to

- 1) Financial Audit
- 2) Internal Audit
- 3) Cost Audit
- 4) Energy Audit

**Correct Answer** is 4) Energy Audit

# 5

## Evaluation of Corporate Image [Study Material - Module 12]

### CASE STUDY

#### Case Study 1 : MCQ on ESG

Company A, being in top 1000 listed company, BRSR Reporting is mandatory for it.

Company has membrane cells costing 100 cr are due for replacement as its effective life span of 4-5 years is over

It can prolong its replacement by 1-2 years but it may endanger safety & security of employees involved with its operations.

#### Multiple Choice Question

In view of what is stated above, Company A can not prolong its replacement by 1 – 2 years due to

- 1) Financial concerns can be ignored
- 2) ESG concerns can be ignored
- 3) Financial concerns shall over ride ESG concerns
- 4) ESG concerns shall over ride Financial concerns

**Correct Answer** is 4) ESG concerns shall over ride Financial concerns

#### Case Study 2 : ESG / BRSR Reporting

Regulation 34 2 ( f ) of SEBI ( LODR ) Regulation 2015, requires , effective from F.Y.2022-23, top 1000 listed entities based on market capitalisation to a Business Responsibility and Sustainability Report.

As Company G , by virtue of its market capitalisation has become top 1000 listed entities, it needs tp comply with this regulation 34(2) (f),

Contents of BRSR Reporting are as mentioned below:

1	Section A	General Disclosures
2	Section B	Management and Process Disclosures



3	Section C	Principle wise Performance Disclosure
	Principle 1 Governance	Business should conduct and govern themselves with integrity. And in a manner that is Ethical, Transparent and Accountable
		7 points in Essential Indicators, 2 points in Leadership Indicators
	Principle 2 Environment	Business should provide Goods and Services in a manner that is sustainable and safe
		4 points in Essential Indicators and 5 points in Leadership Indicators
	Principle 3 Social	Business should respect and promote the well being of all employees including those in their value chains
		15 points in Essential Indicators, 6 points in Leadership Indicators
	Principle 4 Governance	Business should respect the interests of and be responsive to all its stakeholders
		2 points in Essential Indicators, 3 points in Leadership Indicators
	Principle 5 Social	Business should respect and promote human rights
		10 points in Essential Indicators, 5 points in Leadership Indicators
	Principle 6 Environment	Business should respect and make efforts to protect and restore the environment
		12 points in Essential Indicators, 9 points in Leadership Indicators
	Principle 7 Governance	Business when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent
		2 points in Essential Indicators, 1 point in Leadership Indicator
	Principle 8 Social	Business should promote inclusive growth and equitable development
		4 points in Essential Indicators, 6 points in Leadership Indicators
	Principle 9 Social	Business should engage with and provide value to their customers in a responsible manner
6 points in Essential Indicators, 5 points in Leadership Indicators		

### Multiple Choice Question (MCQ):

1. Section A of BRSR Reporting deals with the following
  - a) General Disclosures
  - b) Management and Process Disclosures
  - c) Principle wise Performance Disclosure
  - d) All of the above



2. How many Essential Indicators and Leadership Indicators does Principle 7 of Section C has ?
  - a) 4 points in essential indicators and 2 points in leadership indicators
  - b) 3 points in essential indicators and 1 point in leadership indicator
  - c) 2 points in essential indicators and 1 point in leadership indicator
  - d) 4 points in essential indicators and 3 points leadership indicators
3. How many principles does Section C of BRSR Reporting has?
  - a) 7
  - b) 4
  - c) 14
  - d) 9
4. Which Principle of Section C of BRSR Reporting deals with Environment?
  - a) Principle 1
  - b) Principle 3
  - c) Principle 6
  - d) Principle 9
5. Which Principle of Section C of BRSR Reporting deals with safety management system and safety impacts?
  - a) Principle 1
  - b) Principle 3
  - c) Principle 5
  - d) Principle 7
6. Which Principle of Section C of BRSR Reporting requires reporting for Investment in Research & Development to improve the environmental and social impact of products and process?
  - a) Principle 2
  - b) Principle 5
  - c) Principle 7
  - d) Principle 9
7. Which Section of BRSR Reporting is dealing with CSR Details?
  - a) Section A
  - b) Section B
  - c) Section C
  - d) Section D



## Work Book : Cost and Management Audit

8. Which Section of BRSR Reporting is dealing with Corporate Identity Number (CIN) of the listed company?
- Section A
  - Section B
  - Section C
  - Section D
9. Which Section of BRSR Reporting contains both mandatory reporting and voluntary reporting?
- Section A
  - Section B
  - Section C
  - Section D

**Note for Students:** Essential Indicators are mandatory in nature whereas leadership indicators are voluntary in nature

10. In which Principle of Section C, one of the essential indicators is retirement benefits?
- Principle 1
  - Principle 2
  - Principle 3
  - Principle 4
11. In which Principle of Section C, one of the essential indicators to be reported is sexual harassment, if any
- Principle 3
  - Principle 4
  - Principle 5
  - Principle 6
12. Which Principle of Section 6 mandates total energy consumption to be reported as an essential indicator?
- Principle 4
  - Principle 5
  - Principle 6
  - Principle 7

**Answer:**

1	2	3	4	5	6	7	8	9	10	11	12
a	c	d	c	b	a	a	a	c	c	c	c





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