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## Machine hour rate calculation

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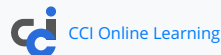
S.NATARAJAN (ACCOUNTS OFFICER) 02 December 2011

there are more than 1000 machines in our company.For calculatiog Machine Hour Rate (for cost capturing using activit y rate) we take the annual depreciation as machine cost.After the bookvalue becomes zero, what should be the machine cost?

We operate these machines in 1,2 and 3 shifts.This depends on the production requirements.Can I change the rate of de preciation depending on the shifts for which the machines are operated?(This depreciation is only for calculating Machin e Hour Rate)

Will there be any Audit Objection if I use different rates of depn. for financial accounting and cost accounting purpose. (Our company is not covered by Cost Audit)

Pl. help.



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•• [CMA Shilpa Shinde](#) (COST ACCOUNTANT) [🕒 09 December 2011](#)

Kindly refer to Cost Accounting Standard : 3 on Overheads and exposure draft on the same.



•• [CMA Ankush Mittal](#) (Deputy Manager ) [🕒 22 May 2012](#)

hiii shilpa....

i think no detail is given in CAS 3.

Hiii natrajan,

you refer your financial books depreciation. u allocate amount of dep. on the basis of book value of machines.

We are eligible to show two amount of depreciation ( one for accounting and one for costing).

**i want one help from both of you :**

I require Excel sheet of how we calculate machine hour rate with full detail.

if you hacing this pls forwarded to me on my personal mail id : [ankushm71 @ gmail.com](mailto:ankushm71@gmail.com).

Regards,

CMA Ankush Mittal



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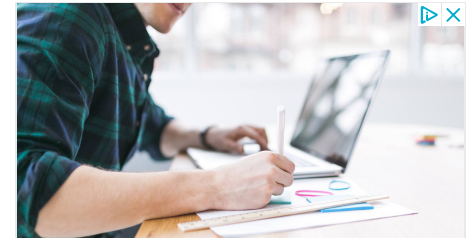
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\*\* We are not eligible to show two amount of depreciation ( one for accounting and one for costing).

•• [CMA Shilpa Shinde](#) (COST ACCOUNTANT) [🕒 22 May 2012](#)

Dear Ankush,

In CAS 3 for Overheads (including Depreciation) illustration is provide as guidance.

I am attaching one excel file for machine hr calculation so that you get idea.

Attached File : [392647\\_983879 copy of mrcalculator.xls](#) downloaded: 2293 times

•• [Ramesh Chandra Mathpal](#) (Finance Executive) [🕒 19 July 2013](#)

Any baby can provide me excel format for calculating machine hour rate.

Thank & Regards

Ramesh

•• [Tharun](#) (sd) [🕒 20 July 2013](#)

Even I'm bewildered my the same question.

Lets assume a machine is worth 10000000.

For Machine running one shift if I'm gonna charge 10.34% instead of 4.75%. Think of the impact that it would bring in Dep/Hr. In turn the effect on Product Cost.

Rate	Depreciation on 10000000	Effective Machine Hrs	Dep/Hr
10.34%	1034000	2100	492.38
4.75%	475000	2100	226.19

I dont see any point charging 10.34% It wont give u any benefit even in the long run.

or is there a reason.

Shilpha,

I dont see anything on the above CAS 3 as u said. do u mind quoting it pls?. U r doing a great job in the forum. My greetings for it.



•• [RADHAKRISHNAN](#) (ESTIMATION ENGINEER) [🕒 07 February 2014](#)

Pl send Machine hour calculation in XL format for cost estimation of our component manufactured in CNC machines



•• [eshba](#) ( ) [🕒 13 February 2014](#)

material cost is 6paise per component and each component takes 10 mins to produce. the machine operator is paid 72 paise per hour and the machine hour rate is rs. 1.50.the setting up of the machine to produce the component takes 2 hours 20 mins.what is the total cost of 10 components and cost per component?



•• [Gokul Avhad](#) (Student CMA) [🕒 18 September 2015](#)

hi... everybody I am Gokul Avhad student of CMA I want help regarding computation of machine house rate of CNC/VM C machine because I have joint as management trainee, I don't have any XL format , and no idea how to collect data . plz send XL format on my personal email id and provide document source from I shall collect data



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