

CA Inter CMA - Version 2 & 3 Batch

Chapter 4 : Overheads - Calculation of Machine Hour Rate

Query :

Why we don't consider the electricity expenses for non-productive hours?

Solution :

When a machine is under set-up (i.e. getting cleaned for next work) or it is shut down for repair or it is idle due to no work, then it is treated as non-productive time.

No electricity is consumed during this period, because machine is not working. It is the power cost needed to run the machine and not the a normal electricity like tubelight and fan.

Example 1 :

Like, when a truck is getting serviced or repaired or is waiting to get loaded with goods, we don't consume petrol or diesel, because the engine of the vehicle is shut off.

Example 2 :

When we use Mixer & Grinder in our household kitchen, then while cleaning the pot for next operation (i.e. set-up activity), we don't consume electricity, because blade changing or cleaning operation is done after switching off the Mixer & Grinder.