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<th>S. No.</th>
<th>Nature of Ratio / Method of calculation</th>
<th>Utility of the Ratios in Excise Audit</th>
<th>Source Document</th>
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| 1.     | Input CENVAT Credit (A) : Total duty payment (Account Current + Cenvat Credit) / (B) | i) To identify right availment of CENVAT credit  
ii) To identify under valuation of goods as value-addition should involve adequate difference between the two.  
iii) To identify removal of goods without payment of duty.  
iv) To identify claiming of CENVAT credit on inputs used in exempted products. | Assessee Master File. |
| 2.     | Raw Material Consumption Cost : Sales Value | i) This ratio shows the part of sales value represented by raw material cost. The balance sales value represents the value addition on account of non-CENVAT elements like wages, overheads, depreciation, interest.  
ii) Theoretically, this ratio should have a bearing on the ratio of Input CENVAT credit: Total Duty payment (Sl.No.1).  
iii) If this ratio is lower than ratio at Sl.No.1 or more than previous year's ratio, it may be an account of the following:  
a) Wrong availment of credit like cases of availing value of goods as credit or availment of credit of basic custom duties in case of import or double credit on same document.  
b) Fraudulent availment of credit like availing of credit without receipt/actual use of input.  
c) Rejection/return/clearances of input without reversal of credit  
d) Receipt of inputs and availment of credit but clearances of finished goods without payment of duty.  
e) Under valuation of finished goods.  
Important points to be considered:  
i) Only manufactured goods sales value should be considered.  
ii) Export value to be excluded from sales value, if export is under bond (if export was on payment of duty, in that case, export value should be included).  
iii) Exclude the Excise duty + Sales Tax from sales value, if details are available. | Profit & Loss Account and Notes to the Accounts. |
| 3.     | CENVAT availed on Capital Goods purchased during the year : Addition to Plant & Machinery | i) Addition to the Plant & Machinery is available from the Fixed Assets Schedule enclosed to the Balance sheet.  
ii) If this ratio is significantly higher than the ratio of 50% of the rate of duty on Capital Goods (Presently 12.5%):100, it may indicate wrong availment of credit. (This ratio needs to be verified at the time of audit because at the Desk Review stage the amount of CENVAT credit on Capital Goods purchased during the year may not be available as total credit availed will be inclusive of balance 50% credit of capital goods purchased in the previous year). | Balance Sheet & ER-1 Return. |
<p>| 4.     | Other Income: Sales | i) If this ratio is higher than previous period, it may be on account of the following: | Profit &amp; Loss Account. |</p>
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| a) Under valuation of finished goods by non-inclusion of other incomes like recovery of Advertisement expenses, Packing and Forwarding Expenses in the assessable value.  
   b) Non payment of duty on scrap/rejects/job work.  
   ii) Service Tax liability on Other Income may also be examined. | 5. Sales Tax: Sales (including trading Sales). | To compare the abatement of Sales Tax claimed by assessee in case of Cum-Sales Tax prices. |
|   | 6. Scrap Sales: Sales | If ratio in the current year is lower, it may be on account of the following:  
   i) clearance of scrap without payment of duty  
   ii) Non receipt of scrap from job worker. |
|   | 7. Power Consumption/Fuel consumption(Qty): Production Quantity | To identify suppression of production. |
   ii) To identify clearances of essential parts of manufactured goods as trading goods.  
   iii) To identify under valuation of manufactured goods by overvaluing trading goods. |
|   | 9. CENVAT availed on inputs: Purchase price of Raw material. | i) To identify cases of wrong availment of credit like availing credit of value.  
   ii) Non reversal of credit/payment of duty on inputs rejected/short received/cleared to other units/cleared as spare during warranty period. |
|   | 10. Quantity of actual production (Nos./Kgs./Lt) : installed capacity | i) To detect suppression of production and clearances |
|   |   | Annual Report and documents pertaining to installed machinery. |