

# *Filing of Cost Audit Report under the Companies (Cost Records and Audit) Rules, 2014*

## ***Presenters:***

***CMA Malav Dalwadi***

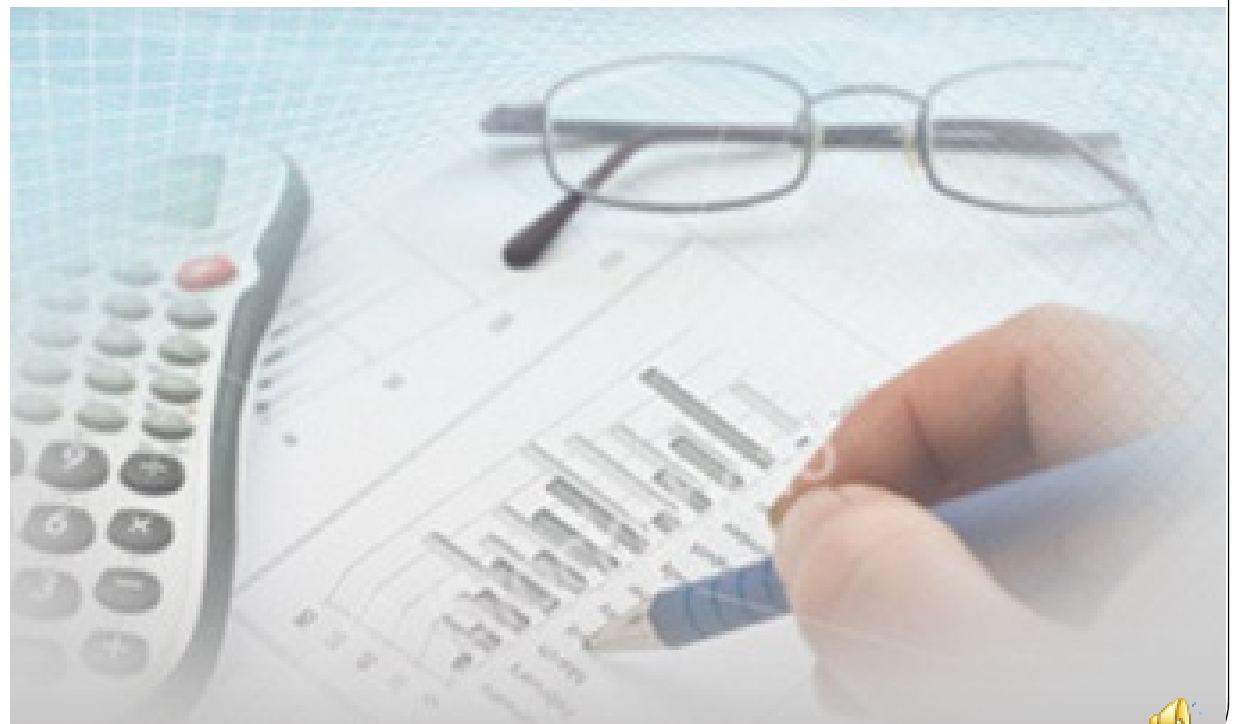
***&***

***Team***

***Dalwadi & Associates***

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***Microvista Technologies***



## Background - Rules 2014

- ✓ Cost Accounting Records and Cost Audit Report thereon is being prepared first time under the Companies (cost records and audit) Rules, 2014 framed under the Companies Act, 2013
- ✓ Under the new rules, the cost auditors are required to follow the cost principles and approaches mentioned in the Rules itself
- ✓ The company is required to submit the Cost Audit Report received from the cost auditors within one month from date of receipt from Cost Auditors to the Government
- ✓ There is persistent delay in requisite notifications so far
- ✓ **Excise Chapter headings (4 digit / 8 digits codes as per CETA) have been linked with the reporting in place of product / service groups notified earlier by MCA**

## Background - XBRL filing

- ✓ MCA had implemented XBRL filing under Rules of 2011
- ✓ Taxonomy along with Business Rules have been issued by the Institute on 5<sup>th</sup> August, 2015
- ✓ Formal notification from MCA is awaited for Taxonomy, Business Rules, Validation Tool & CRA-4
- ✓ Once, XBRL validation tool & From CRA-4 are notified, filing shall have to be as per the Companies (Cost Accounts & Audit) Rules , 2014 for past years ( 2011 to 2014), if pending

## From CRA -3 Frame work of Reporting

- ✓ Two parts -
  - i. Form of the Cost Audit Report
  - ii. Annexure to Cost Audit Report

### Form of the Cost Audit Report

- ✓ Records shall be compliance with the cost auditing standards
- ✓ **vi)** In my/our opinion, information, statements in the *annexure to the cost audit report gives/does not give true and fair view* of the cost of production of product(s)/rendering of service(s), cost of sales, margin and other information relating to product(s) or service(s) under reference.

# From CRA -3 Frame work of Reporting

**Annexure to Cost Audit Report has four parts for reporting**

## **Part A - Common**

- i. General Information ( 17 items )
- ii. General Details of Auditor ( 14 items)
- iii. Cost Accounting Policy (3 PARAs – para -1 has 9 sub items)
- iv. Product / Service Details (for the company as a whole)

## **Part B - For Manufacturing Sector**

- ✓ Quantitative Information
- ✓ Abridge cost Statement

## **Part C - For Service Sector**

- ✓ Quantitative Information
- ✓ Abridge cost Statement

## From CRA -3 Frame work of Reporting

### 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)

## Challenges Before Us – Cost Audit Report

### ✓ **Main Format – First Para**

“I/We,.....having been appointed as cost auditor(s) under section 148(3) of the Companies Act, 2013 (18 of 2013) of ..... having its registered office at....., have audited the cost records maintained under section 148 of the said Act, **in compliance with the cost auditing standards**, in respect of the .....

- ✓ *148 (3) Provided further that the auditor conducting the cost audit shall comply with the cost auditing standards.*

**Explanation.**—For the purposes of this sub-section, the expression “cost auditing standards” mean such standards as are issued by the Institute of Cost and Works Accountants of India, constituted under the Cost and Works Accountants Act, 1959, with the approval of **the Central Government**.

## Challenges Before Us – Cost Audit Report

✓ ***Qualification/ Reservation***

***Note to CAR reads :***

“If as the result of the examination of the books of account, the cost auditor desires to point out any material deficiency or give a qualified report, he/she shall indicate the same against the relevant ***para (i) to (vii)*** in the prescribed form of The Cost Audit Report giving details of discrepancies he/she has come across.”



## Challenges Before Us – Cost Audit Report

- ✓ *Para 2 - Observations and suggestions, if any, of the cost auditor, relevant to the cost Audit.*

*Note to CAR reads :*

“The report, suggestions, observations and conclusions given by the cost auditor under this paragraph shall be based on verified data, reference to which shall be made here and shall, wherever practicable, be included after the company has been afforded an opportunity to comment on them.”

# Challenges Before Us – Annexure to Cost Audit Report

## Part B - For Manufacturing Sector

- ✓ Product Description for the Given CETA
- ✓ CETA 4 digits / 8 Digits
- ✓ How to report Traded Items
- ✓ How to report Other items - Scrap
- ✓ How to report By products and Ancillary products ?
- ✓ CETA wise – Capacity

# Challenges Before Us – Cost Audit Report

## How to use Product Groups Details

Home

Validate

Product Group Details								-	INR	
Sr	Select sector for classifying manufactured product or service	Name of manufactured product or service	CETA code of manufactured product	Subheading of CETA code	UOM	Whether previous year figures are reported	Details for not reporting previous year figures [text block]	Net operational revenue of manufactured product or service CY	Net operational revenue of manufactured product or service PY	Whether manufactured product or service covered under cost audit
<input type="button" value="Add"/> <input type="button" value="Delete"/>										
1	Manufactured product	Pharmaceuticales - Tabs	3001		Mil. Nos		<input type="button" value="Add Text Block"/>			
2	Manufactured product	Pharmaceuticales - Tabs	3001		Mil. Nos		<input type="button" value="Add Text Block"/>			
<u>Net operational revenue of manufactured product or service</u>										
Other operating incomes of company										
<u>Total operating incomes of company</u>										
<u>Other incomes of company</u>										
<b>Total revenue as per financial accounts</b>										
<u>Extraordinary income</u>										
<b>Total revenue including extraordinary income</b>										
Turnover as per excise or service tax records										
Notes to manufactured product or service [text block]								<input type="button" value="Add Text Block"/>		

## Challenges Before Us – Cost Audit Report

How to calculate capacity utilization when products under different CETA Codes are manufactured from the same production facility?

<b>CETA Code</b>	<b>Total</b>	<b>7201</b>	<b>7203</b>
<b>Particulars</b>	<b>2014-15</b>	<b>2014-15</b>	<b>2014-15</b>
	<b>MT</b>	<b>MT</b>	<b>MT</b>
Available Capacity	36000	36000	36000
Actual Production	31441	18950	12491
Capacity Utilization	87.34	87.34	87.34

# Challenges Before Us – Cost Audit Report

## Part C - For Service Sector

- ✓ **Service Description**
- ✓ **Service Codes**
- ✓ **Quantitative Information**
  - ✓ Unit of Measurement
  - ✓ Capacity
  - ✓ Output
  - ✓ Out sourced services
- ✓ **Abridge Cost Statement**
  - ✓ Work in Progress
  - ✓ Cost Per Unit

## Notes to abridge cost statement

### Manufacturing Sector

- ✓ *Separate cost statement shall be prepared for each CETA heading representing the product.*
- ✓ In case the same product has different unit of measure, separate cost statement shall be provided for different unit of measures.

### Service Sector

- ✓ *Separate cost statement shall be prepared for each service*
- ✓ The Performa may be suitably modified to meet the requirement of the industry/service.

## Notes to abridge cost statement

### Manufacturing Sector

- ✓ The items of cost shown in the Performa are indicative and the same shall be reflected keeping in mind the materiality of the item of cost in the product. The perform may be suitably modified to meet the requirement of the industry/product.
- ✓ In the case company follows a **pre-determined or standard costing system**, the above cost statement shall reflect figures at actual after adjustment of variances, if any

### Service Sector

- ✓ The items of cost shown in the Performa are indicative and the same shall be reflected keeping in mind the materiality of the item of cost in the service.
- ✓ In case the company follows a **pre-determined or standard costing system**, the above cost statement shall reflect figure at actual after adjustment of variances, if any

## Challenges – XBRL Front

- ✓ Inordinate delay in notifications
- ✓ No of items to be reported at Part A - Product / Service Details (for the company as a whole)
- ✓ Linking product / Service with Quantitative information and Abridge Cost Statement data for current and previous year



## Salient Features of Convert2Xbrl

- ✓ Excel Based software
- ✓ Contains two parts
  - ✓ Part – I is a macro enabled Excel file which provides highest portability
  - ✓ Part –II is a Software residing on a given machine producing ease of control & monitoring for filing
- ✓ Convert2Xbrl provides inbuilt validation checks at time of filling up of data
- ✓ **Easy to operate / handle numerous abridged cost statements**

## Salient Features of Convert2Xbrl

- ✓ The Horizontal working & Vertical View sheets for Qty, RM, Utilities & Industry specific elements is very unique to Convert2xbrl software
- ✓ Quantitative information of Manufactured Product / Service
- ✓ Items under cost audit will automatically listed at:
  - ✓ Quantitative information
  - ✓ Materials,
  - ✓ Utility
  - ✓ Industry / Service Specific Costs
  - ✓ Abridge Cost Sheets
- ✓ **Append Items having PY data but no CY data**

# Salient Features of Convert2Xbrl

## Quantitative Information of Manufactured product / Services Rendered Current Year

Sr.	Product / Service Details				1. Available Capacity				
	Name of manufactured product or service	CETA / [SERVICE Code]	SUB CETA /SUB Heading of Service Code	UoM	(a) Installed capacity	(b) Capacity enhanced during the year	(c) Capacity available through leasing arrangements	(d) Capacity available through loan license / third parties	(e) Total available capacity
1	2	3	4	5	6	7	8	9	10
1	Tablets	3004		Nos	10000	0	0	500	10500
2	Capsules	3004		Nos	8000	0	0	10	8010
3	Aerosol	3004		Nos	70	0	0	0	70
4	Dry Powder Injection	3004		KG	15000	0	0	100	15100
5	Injection	3004		Ltr	800	0	0	0	800
n									0
									0

QUANTITATIVE INFORMATION ( For each product group separately)	
Enter Serial Number To view Quantitative information	2
Name of manufactured product or service	Capsules
CETA code of manufactured product	3004
Subheading of CETA code	
Unit of measurement for manufactured product	Nos
<b>1</b>	<b>Available capacity of product or activity group [abstract]</b>
	<b>Current Year</b>
(a)	Installed capacity on start of reporting period 8000
(b)	Capacity enhanced during reporting period
(c)	Capacity available through leasing arrangements
(d)	Capacity available through loan license or third parties 10
(e)	<b>Available capacity of product or activity group 8010</b>

QUANTITATIVE INFORMATION ( For each product group separately)	
Enter Serial Number To view Quantitative information	5
Name of manufactured product or service	Injection
CETA code of manufactured product	3004
Subheading of CETA code	
Unit of measurement for manufactured product	Ltr
<b>1</b>	<b>Available capacity of product or activity group [abstract]</b>
	<b>Current Year</b>
(a)	Installed capacity on start of reporting period 800
(b)	Capacity enhanced during reporting period
(c)	Capacity available through leasing arrangements
(d)	Capacity available through loan license or third parties 0
(e)	<b>Available capacity of product or activity group 800</b>

## Salient Features of Convert2Xbrl

- ✓ Only precaution required is to have same sequential data across all these sheets [ Qty, RM, Utilities, Industry Specific elements & Abridge Cost Statement even for CY & PY
- ✓ If there is no corresponding data in PY, the data in corresponding lines of PY should be blank
- ✓ Similarly If there is no corresponding data in CY, the data in corresponding lines of CY should be blank

**We are phone call away!**

**1800 233 0445**

**Or**

**079 2646 0445**



**Thanks**