



CHAIRMAN'S COMMUNIQUÉ

CMA (Dr.) Dhananjay V. Joshi

Former President and
Chairman, Technical Cell
The Institute of Cost Accountants of India

Dear Professional Colleagues,

I am pleased to note that another eventful term of Technical Cell of the Institute is being completed on July 21, 2020. I am thankful to the President, Vice-President and the entire Council of the Institute for posing confidence in my abilities and giving me to chair the Technical Cell for the second consecutive term. With the worthwhile contribution of the members of the cell and support of the Council, the cell has been able to contribute to the growth of the profession and the Institute. I would also like to appreciate the professional members of the Institute and various domain experts who have significantly contributed to the activities of the Cell.

Friends, the Technical Cell met four times during this term and held many meetings of small groups of Technical Cell formed to discuss and finalise various issues. During the time of the COVID-19 calamity, the Technical Cell met on web platform and carried out the activities successfully. The way members of the cell contributed even while working from home is commendable and I am sure that their dedicated services will be available to the cell in the future terms also. During this term, besides dealing with its own agenda, the Technical Cell could give support to the CASB in resolving various professional and Technical matters. My vision for Technical Cell is to see it as a major contributor to all the Committees and Boards of the Institute by providing necessary guidance and support in resolving professional, technical and students' related matters.

The purpose of this communique is to bring forth the agenda of the technical cell whether completed or continuing, before the Institute and also to apprise the members of the developments and initiative taken by the cell during the term. I would like to present before you some of the following major activities, initiatives and contributions of the Technical Cell during the term 2019-20:

Guidance Note on Internal Audit of Cost Records:

Under the Companies (Cost Records and Audit) Rules 2014 Cost Auditor has to comment on "Adequacy of the System of Internal Audit of Cost Records" in his Cost Audit report, however there was no technical literature available on the subject. Due to this there was a gap in the understanding

of the Auditee companies as to the Internal Audit of Cost Records. To bridge this gap the **Technical Cell developed and issued Guidance Note on Internal Audit of Cost Records**. The Guidance Note has been developed in such a way that it explains the relevant information in form of various chapters which are interlinked. It was prepared in a very short time and has been well received.

Symposium on "Cost Audit - Stakeholders Value Proposition" in Mumbai: The Technical Cell of the Institute organised a Symposium on Cost Audit - Stakeholders Value Proposition on 20th December 2019 at YB Chavan Auditorium, Mumbai. The event was inaugurated by Shri Suresh Prabhu, Hon'ble Member of Parliament, Rajya Sabha, Chief Guest of the event in the presence of Guest of Honour Shri TS Balasubramanian, Member (Finance), Tariff Authority for Major Ports along with the President, Vice-President, Members of Council and Regional Councils of the Institute. Eminent speakers from Regulatory, Industry, Social Organisations, Government and Practice addressed the participants. The event was also graced by the Former Presidents, Chapter Representatives and around 500 delegates from Industry and Practice. The symposium was successful in highlighting the importance of the Cost Audit Mechanism to the country's economy and Industrial growth.

This was the third event in the series of awareness program on Cost Audit. The Technical Cell is in process of bringing out a publication on the proceedings of all the three events. The publication contains the speeches by dignitaries, important quotes by regulators and industry and photographs of the three events.

Monograph Advantage India 2020: The Technical Cell is in the final stage of developing a **Monograph on Advantage India 2020** depicting the real picture of India's geographic, demographic, economic, cultural, political, social, industrial and regulatory advantages over the other democracies across the globe. The Monograph will showcase India's prowess to be able to gain from the current crisis by becoming the most preferred industrial and manufacturing hub of the world. India has the abundance of natural resources, cutting edge technology, talented manpower, proactive Government, vigilant regulatory, booming infrastructure and political willpower to attract the foreign companies to invest in India and setting up their industrial units to promote 'Make in India 2.0'. All we are doing is to put in place the combined efforts of professionals, engineers, managers, policymakers and Government with a focussed mind-set and proactive approach to grab this opportunity. This Monograph will be a

landmark initiative in the direction of restoration and further development of the Indian Economy.

Upload of Responses by the Technical Cell to the Queries of members / stakeholders: As decided by the Technical Cell, the queries resolved by it have been uploaded on the Technical Cell portal of the website of the Institute for the information of the general members and stakeholders. This also serves as FAQs on different topics. It is pertinent here to inform the members that the query resolution mechanism of the Technical Cell has been working very satisfactorily and till date the Technical Cell has resolved more than 100 queries of the members and stakeholders.

Guidance on important and emerging Technical Matters:

- 1. Assessment of Impact of implementation of Ind AS on Cost Accounting Standards:** The Technical Cell has taken up the exercise of doing an impact analysis and consequent revision of the Cost Accounting Standards on account of implementation of IndAS and emergence of many other issues. Two marathon meetings of two days each were organised by the Technical Cell to discuss the issue with domain experts. The Technical Cell has compiled its report and shared it with the Chairman, Cost Accounting Standards Board of the Institute for taking the matter forward with assurance of all future help by the Technical Cell.
- 2. Impact analysis of introduction of 'IndAS 116 – Leases' and 'IndAS 115 – Revenue Recognition:** The Technical Cell received queries from various corporates regarding treatment of various costs in the Cost Accounting Records and their presentation/disclosure in the Cost Statements so as to give true & fair view of the Cost of Product/Activity relating to the assets taken on lease by the Company, arising from the implementation of IndAS 116 and on the Impact of IndAS 115 on the Revenue from contracts with customer effective from the financial year beginning on or after April 01, 2019. Technical Cell held widespread discussions on the matter and resolved the matter by giving advice to the querist organisations.
- 3. Treatment of Finance Cost:** The Technical Cell is under consultation with experts and practicing members with regard to treatment of Finance Cost in Cost Records.
- 4. Treatment and netting off of Interest debits and Interest credits:** As per the existing practice & principle, Interest Expense is being treated as Cost in Cost Statements; whereas the Interest Income is treated as a non-cost Item and taken to Profit & Loss Reconciliation Statement. The Technical Cell examined the principle and prima facie is of the view that the netting off of Interest debits and credits is principally accepted for the operational activities and there should be co-relationship to be established between interest debits and interest credits for this netting off.
- 5. Reconciliation Items:** The Cost Accounting Standards require certain items to be treated as non-cost items like foreign exchange gain/loss, bad debts etc. The Technical Cell examined the matter and advised that there is a need to lay down Principles for income and expenses not to be considered in cost statement and which will be taken to Profit & Loss Reconciliation.
- 6. Issues relating to Capacity Determination:** The current definitions and principle of measurement laid down in CAS-2 for Licenced Capacity, Installed capacity, Practical or Achievable Capacity, Normal Capacity, Idle Capacity, Capacity Utilisation, etc. needed to be reassessed to provide a more realistic and practical approach. Specifically in case of Normal Capacity there has been a mismatch between the definition & calculation logic as given in CAS-2. The Technical Cell in association with the CASB has completed the discussions on the issue and it is expected to be resolved very soon by the CASB.
- 7. Streamlining of Definitions in various CASs:** The Technical Cell examined the issue and advised that for each term there should be only one definition, whether it appears in all standards, publications, documents, guidance note, technical guides etc. issued by the institute. The work on this matter is going on by the CASB and is expected to be resolved very soon.
- 8. Representation to Ministry on relooking of Cost Reporting Mechanism:** The Technical Cell advised the Institute that the framework of cost reporting needed relook in the light of the changing environment of business. The Cost Rules were issued in 2014 and after almost 6 years of issuance there existed a need to revise the same to incorporate the interim developments. The areas which have become irrelevant now need to be replaced with the new emerging trends. The Cost Audit Report needs to be upgraded by enhancing its importance. Performance Appraisal Report should be revamped in the current scenario and needs to be reintroduced. On the basis of the recommendation of the Technical Cell, the Institute sent a representation to the Ministry of Corporate Affairs to look into the matter and the same is under consideration of the Ministry.
- 9. Contents and formats for Disclosure of Cost Audit Report in the Annual Report:** Technical Cell suggested that in order to improve the Board Governance and also to indicate the sustainability of the Company, some indicators showing the efficiency and profitability of the Company should be included in a specified format in the Annual Report without compromising the confidentiality of the cost audit data. In order to carry out this task, the small group has already prepared and submitted its report to the Technical Cell and the same is under consideration of the cell.

CHAIRMAN'S COMMUNIQUE

History book of Cost Audit: I take pride in informing that the Technical Cell will very shortly come out with a publication titled "History Book of Cost Audit in India". The proposed book will have Parliamentary debates and Question Answers, extracts from annual reports of relevant Union Ministries, Cost Accounting Record Rules and notifications issued by the Ministry since the beginning of cost audit, reports of special purpose committees appointed by MCA from time to time, industry specific Cost Accounting Record Rules, compilation of important articles relating to cost audit mechanism and alike information. The comprehensive publication will serve as **Bible of Cost Audit** for the CMA profession and the other stake holders of the system.

In the various endeavours of the Technical Cell and its publications, a large number of CMAs provided their valued support as resource persons. The Technical Cell has certainly acknowledged their efforts and support in those publications. The support was spontaneous and to the best of their abilities. I am highly obliged by their devotion for the cause of the profession and express my sincere gratitude to all of them.

I expressed my sincere gratitude to **CMA Balwinder Singh**, President, **CMA Biswarup Basu**, Vice-President of the Institute for their encouragement and appreciation of the efforts of the Technical Cell. **CMA Devendra Kumar**, Advisor (Cost) provided required support from the Government side on many technical issues. **CMA D.C. Bajaj**, **CMA Chandra Wadhwa** and **CMA Kunal Banerjee** all Former Presidents of the Institute provided much needed and most valued advices on various technical issues. **CMA P. Raju Iyer**, **CMA Neeraj D. Joshi**, **CMA Ashwin G. Dalwadi**, **CMA Rakesh Bhalla**, all Council Members acted as a link between the Technical Cell & the Council and without their support the Technical Cell could not have achieved what it has achieved during the term. Veteran PCMAs **CMA T.S. Khurana**, **CMA S. Mukherjee**, **CMA Narhar Nimkar** provided matured outlook in addressing the various complex issues. **CMA S. J. Joshi** provided the industry perspective in the discussions. **CMA Ravi Sahni** and **CMA Vijay Joshi** proactively took

many responsibilities in the functioning of the Cell and made my job easier. I appreciate the role of the Technical Cell Secretariat comprising of **CMA Tarun Kumar**, **CMA Pankaj Jalan** and **Mr. Pranav Sharma** in providing active support to the Technical Cell and holding good coordination with the members and experts in carrying out the activities of the cell in a structured manner.

Friends I have always maintained that any positive change in the fortunes of the profession will be brought out by our own efforts and commitment. I am fully committed to this cause and would wholeheartedly continue to support the Institute in this direction.

Sometime it is felt that some eminent members of the Institute, who should have been contributed to the cause of the Institute and profession with much more vigour, are not contributing at their fullest. There could be so many reasons behind this. But I would like to remind them that the Institute is nothing without the active and constructive support of each member. There are so many avenues available for the members to support the Institute; by way of being resource persons for development of Technical Guides, Notes and Papers; taking web classes; arranging for recruitment drives; mentoring the budding cost accountants; garnering support of MPs / MLAs / Industry etc. on critical issues; help the Institute in developing good relations with policy makers / decision makers and regulators etc. to name a few. I urge upon all the members to come forward and contribute their bit to the cause of the Institute and the profession so as to ensure the growth of the CMA profession.

I pray for the wellbeing and prosperity of all the members and their family and wish all-round success in their endeavours.

With regards,



CMA (Dr.) Dhananjay V. Joshi

June 27, 2020

Technical Cell (Cost Audit & Statutory Compliances) (2019-20) The Institute of Cost Accountants of India

Chairman

CMA (Dr.) Dhananjay V. Joshi, Former President, ICAI

Members

Shri Devendra Kumar, Advisor (Cost)
CMA Chandra Wadhwa, Former President, ICAI
CMA P. Raju Iyer, Council Member, ICAI
CMA Neeraj D. Joshi, Council Member, ICAI
CMA S. Mukherjee, Practicing Cost Accountant
CMA Narhar Nimkar, Practicing Cost Accountant
CMA S. J. Joshi, Cost Accountant in Industry

CMA D. C. Bajaj, Former President, ICAI
CMA Kunal Banerjee, Former President, ICAI
CMA Ashwin G. Dalwadi, Council Member, ICAI
CMA Rakesh Bhalla, Council Member, ICAI
CMA Ravi K. Sahni, Practicing Cost Accountant
CMA Vijay Joshi, Practicing Cost Accountant
CMA T. S. Khurana, Practicing Cost Accountant

Permanent Invitees

CMA Balwinder Singh, President, ICAI

CMA Biswarup Basu, Vice-President, ICAI

Secretary

CMA Tarun Kumar, Additional Director (Technical), ICAI