



**Presentation**  
**on**  
**Module 3: Overview of the Technical and**  
**Professional Standards**

**Reviewers' Training Manual**  
**Issued by the Peer Review Board of the Institute**

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## MODULES COVERED SO FAR

**Module 1: Overview of the Peer Review Process:** Covered the term Peer Review, all definitions, Scope of Peer Review, Peer Review Process, Time Schedule and Steps in the Peer Review.

**Module 2: All about the Peer Reviewers:** Covered Empanelment of Reviewers, Disqualifications, all Declarations, Restrictions on Reviewers, Limit of maximum assignments and Required Skills for undertaking successful Peer Review.

## **MODULE 3: OVERVIEW OF THE TECHNICAL AND PROFESSIONAL STANDARDS**

**In order to carry out the Peer Review, the reviewer should have good understanding of the Technical & Professional Standards and Code of Ethics of the Institute.**

Technical & Professional Standards and Code of Ethics of the Institute mean and include:

- (a) Standards on Cost Auditing, Cost Accounting Standards & GACAP issued by the Institute, wherever mandatory;
- (b) Cost Reporting Framework for the Preparation and presentation of cost statements, and
- (c) Notifications/Directions issued by the Council of Institute; and
- (d) Compliance of the provisions of the various relevant Notifications, Statutes and/or Regulations, issued by Ministry of Corporate Affairs, Government, State Governments, which are applicable in the context of the specific engagements being reviewed.

## Cost Accounting Standards issued by the Institute

- **CAS-1 on Classification of Cost:** Classification of cost is the arrangement of items of costs in logical groups having regard to their nature (subjective classification) and purpose (objective classification).
- **CAS-2 on Capacity Determination:** This standard deals with the principles and methods of classification and determination of capacity of an entity for ascertainment of the cost of product or service, and the presentation and disclosure in cost statements. This standard shall be applied to the cost statements, including those requiring attestation, which require determination of capacity for assignment of overheads. The standard may be applied for determination of capacity for any other purpose.
- **CAS-3 on Production and Operation Overheads:** This standard deals with the principles and methods of classification, measurement and assignment of Production or Operation Overheads, for determination of the cost of goods produced or services provided and for the presentation and disclosure in cost statements. This standard shall be applied to cost statements, which require classification, measurement, assignment, presentation and disclosure of Production or Operation Overheads including those requiring attestation

## Cost Accounting Standards issued by the Institute

- **CAS-4 on Cost of Production / Acquisition / Supply of Goods / Provision of Services:** This Standard deals with the principles and methods of classification, measurement and assignment for the determination of cost of production or acquisition or supply of goods or provision of services as required under the provisions of GST Acts/Rules. This standard should be applied to cost statements which require classification, measurement, assignment, presentation, and disclosure of related costs for determination of the following under the relevant provisions of GST Acts/Rules.
  - (i) Determination of cost of production of goods;
  - (ii) Determination of cost of acquisition of goods;
  - (iii) Determination of cost of supply of goods;
  - (iv) Determination of cost of provision/supply of services; and
  - (v) Determination of value of supply of goods or services as per open market value or as per goods or services of like kind and quality.
  
- **CAS-5 on Average (equalized) Cost of Transportation:** This standard should be applied for calculation of cost of transportation required under any statute or regulations or for any other purpose. For example, this standard can be used for
  - (i) Determination of average transportation cost for claiming deduction for arriving at assessable value of excisable goods
  - (ii) Insurance claim valuation
  - (iii) Working out claim for freight subsidy under Fertilizer Industry Coordination Committee
  - (iv) Administered price mechanism of freight cost element
  - (v) Determination of inward freight costs included or to be included in the cost of purchases attributable to the acquisition.
  - (vi) Computation of freight included in the value of inventory for accounting on inventory or valuation of stock hypothecated with Banks / Financial Institution, etc.

## Cost Accounting Standards issued by the Institute

- **CAS-6 on Material Cost:** This standard deals with the principles and methods of classification, measurement and assignment of material cost, for determination of the Cost of product or service, and the presentation and disclosure in cost statements. The Standard deals with the following issues.
  - Principle of Valuation of receipt of materials.
  - Principle of Valuation of issue of materials.
  - Assignment of material cost to cost objects.
- **CAS-7 on Employee Cost:** This standard deals with the principles and methods of classification, measurement and assignment of Employee cost, for determination of the Cost of product or service, and the presentation and disclosure in cost statements. This standard should be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Employee cost including those requiring attestation.
- **CAS-8 on Cost of Utilities:** This standard deals with the principles and methods of classification, measurement and assignment of cost of utilities, for determination of the cost of product or service, and the presentation and disclosure in cost statements. This standard shall be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of cost of utilities including those requiring attestation. This standard shall not be applicable to the organizations primarily engaged in generation and sale of utilities. This standard does not cover issues related to the ascertainment and treatment of carbon credits, which shall be dealt with in a separate standard

## Cost Accounting Standards issued by the Institute

- **CAS-9 on Packing Material Cost:** This standard deals with the principles and methods of classification, measurement and assignment of Packing Material Cost, for determination of the cost of product, and the presentation and disclosure in cost statements. This standard should be applied to cost statements, which require classification, measurement, assignment, presentation and disclosure of Packing Material Cost including those requiring attestation.
- **CAS-10 on Direct Expenses:** This standard deals with the principles and methods of classification, measurement and assignment of Direct Expenses, for determination of the cost of product or service, and the presentation and disclosure in cost statements. This standard should be applied to cost statements, which require classification, measurement, assignment, presentation and disclosure of Direct Expenses including those requiring attestation.
- **CAS-11 on Administrative Overheads:** This standard deals with the principles and methods of classification, measurement and assignment of administrative overheads, for determination of the Cost of product or service, and the presentation and disclosure in cost statements This standard should be applied to cost statements, which require classification, measurement, assignment, presentation and disclosure of administrative overheads including those requiring attestation.

## Cost Accounting Standards issued by the Institute

- **CAS-12 on Repairs And Maintenance Cost:** This standard deals with the principles and methods of classification, measurement and assignment of repairs and maintenance cost, for determination of the Cost of product or service, and the presentation and disclosure in cost statements. This standard should be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of repairs and maintenance cost including those requiring attestation.
- **CAS-13 on Cost of Service Cost Centre:** This standard covers the Service Cost Centre and excludes Utilities and Repairs & Maintenance Services dealt with in CAS- 8 and CAS-12 respectively. This standard should be applied to the preparation and presentation of cost statements, which require classification, measurement and assignment of Cost of Service Cost Centre, including those requiring attestation.
- **CAS-14 on Pollution Control Cost:** This standard deals with the principles and methods of classification, measurement and assignment of pollution control costs, for determination of Cost of product or service, and the presentation and disclosure in cost statements. This standard should to be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Pollution Control Costs including those requiring attestation.



## Cost Accounting Standards issued by the Institute

- **CAS-15 on Selling and Distribution Overheads:** This standard deals with the principles and methods of classification, measurement and assignment of Selling and Distribution Overheads, for determination of the cost of sales of product or service, and the presentation and disclosure in cost statements. This standard should be applied to cost statements, which require classification, measurement, assignment, presentation and disclosure of Selling and Distribution Overheads including those requiring attestation.
- **CAS-16 on Depreciation and Amortisation:** This standard deals with the principles and methods of measurement and assignment of Depreciation and Amortisation for determination of the cost of product or service, and the presentation and disclosure in cost statements. This standard shall be applied to cost statements which require measurement, assignment, presentation and disclosure of Depreciation and Amortisation, including those requiring attestation.
- **CAS-17 on Interest and Financing Charges:** This standard deals with the principles and methods of classification, measurement and assignment of Interest and Financing Charges. This standard should be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Interest and Financing Charges including those requiring attestation. This standard does not deal with costs relating to risk management through derivatives.

## Cost Accounting Standards issued by the Institute

- **CAS-18 on Research and Development Costs:** This standard deals with the principles and methods of determining the Research, and Development Costs and their classification, measurement and assignment for determination of the cost of product or service, and the presentation and disclosure in cost statements. This standard should be applied to cost statements that require classification, measurement, assignment, presentation and disclosure of Research, and Development Costs including those requiring attestation.
- **CAS-19 on Joint Costs:** The standard deals with the principles and methods of measurement and assignment of Joint Costs and the presentation and disclosure in cost statement. The standard shall be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Joint Costs including those requiring attestation.
- **CAS-20 on Royalty and Technical Know-How Fee:** This standard deals with the principles and methods of classification, measurement and assignment of the amount of Royalty and Technical Knowhow Fee, for determination of the cost of product or service, and their presentation and disclosure in cost statements. This standard should be applied to cost statements, which require classification, measurement, assignment, presentation and disclosure of the amount of Royalty and Technical Know-how Fee including those requiring attestation.

## Cost Accounting Standards issued by the Institute

- **CAS-21 on Quality Control:** The standard deals with the principles and methods of measurement and assignment of Quality Control cost and the presentation and disclosure in cost statement. The standards shall be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Quality Control cost including those requiring attestation.
- **CAS-22 on Manufacturing Cost:** This standard deals with the principles and methods of classification, measurement and assignment for determination of the Manufacturing Cost of excisable goods and the presentation and disclosure in cost statements. This standard should be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Manufacturing Cost of excisable goods.
- **CAS-23 on Overburden Removal Cost:** The standard deals with the principles and methods of measurement and assignment of Overburden Removal Cost and the presentation and disclosure in cost statements. The standard shall be applied to cost statements which require classification, measurement, assignment, presentation and disclosure of Overburden Removal Cost including those requiring attestation.
- **CAS-24 on Treatment of Revenue in Cost Statements:** This standard deals with the principles and methods of classification, measurement, treatment and assignment of revenue and its presentation and disclosure in cost statements. This standard shall be applied to cost statements which require classification, measurement, treatment, assignment, presentation and disclosure of revenue including those requiring attestation.

## **Standards of Cost Auditing issued by the Institute with the approval of the Central Government**

**SCA-101 on 'Planning an audit of Cost Statements':** The SCA 101 prescribes that in establishing the overall audit strategy, the cost auditor shall

- a) Identify the characteristics of the engagement that define its scope and reporting objectives of the engagement;
- b) Plan the timing of the audit of cost statements and the nature of the communications required;
- c) Consider the factors that, in the cost auditor's professional judgement, are significant in directing the audit team's efforts;
- d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the audit partner for the entity is relevant; and
- e) Ascertain the nature, timing and extent of resources necessary to perform the engagement.

**As per the SCA 101, Audit planning and strategy enable a cost auditor to**

- i. Properly manage and organize the cost audit engagement;
- ii. Obtain reasonable assurance about whether the cost statements as a whole are free from material misstatement, whether due to fraud or error.
- iii. Depute his / her resources in an optimum manner and devise his / her audit schedule as well as methodology such as extent of checking etc. accordingly.
- iv. Accomplish the audit objectives and determine 'which', 'how much' and 'when' aspects of the resource utilization viz., engagement team; and
- v. Complete the audit in a time bound manner.

## **Standards of Cost Auditing issued by the Institute with the approval of the Central Government**

**SCA-102 on 'Audit Documentation':** Audit Documentation means the records, in physical or electronic form, including working papers prepared by and for, or obtained and retained by the Cost auditor, in connection with the performance of the audit. The nature of audit documentation should be such that meets the requirement of Standards on Cost Auditing issued by the Institute and is enable to provide:

- a) Evidence of the cost auditor's basis for a conclusion about the achievement of the overall objectives of the audit: and
- b) Evidence that the audit was planned and performed in accordance with Standards on Cost Auditing (SCAs) and applicable legal and regulatory requirements.

The purpose of audit documentation is to enable another competent person, having no previous connection with the audit, including person undertaking peer review, to understand that the cost audit conforms and has been performed as per legal and regulatory requirements prescribed in the cost reporting frame work for obtaining sufficient appropriate audit evidence to draw reasonable conclusions on which to base the cost auditor's opinion.

## **Standards of Cost Auditing issued by the Institute with the approval of the Central Government**

### **The Cost Audit documentation will usually contain:**

- a) Checklists: Checklist of compliance with:-
- b) Audit programs: Audit Program for Material Cost, Employee Cost and others
- c) Analysis: Cost Audit relies more on analytical review than on substantive testing to establish true and fair view. Like Calorific value of different fuels used and average Cost per unit of calorific value and Specific Heat Consumption.
- d) Audit Query List: A log of audit queries raised and their resolution
- e) Abstracts of significant contracts relating to the cost audit: Supply of materials indicating price, quality terms, O&M contracts, Terms of supply of contract labour and others
- f) Letters of confirmation: Stock of materials with subcontractors.
- g) Letter of Representation from Management Correspondence (including e-mail) concerning significant matters: Correspondence regarding terms of supply of goods and services.
- h) Abstract or copies of the entity's records.
- i) Minutes of the meetings with the auditee
- j) Resolutions pertaining to the related parties
- k) Various reconciliation statements including GST

## **Standards of Cost Auditing issued by the Institute with the approval of the Central Government**

**SCA-103 on Overall objectives of the independent cost auditor** prescribes that independence of a cost auditor can be compromised due to existence of self-interest, self-review, holding position of advocacy, over-familiarity, professional insecurity or intimidation. Actual threats need to be considered, and situations that might be perceived as threats by a reasonable and informed observer.

Where such threats exist, the cost auditor must put in place safeguards that eliminate them or reduce them to clearly insignificant levels. Safeguards apply at three levels: safeguards in the work environment, safeguards that increase the risk of detection, and specific safeguards to deal with particular cases. The cost auditor should ensure that all the safeguards are in place before taking up the assignment.

A cost auditor is to document the following to show the compliance to independence requirements:

- i. That relevant ethical requirement as per Code of Ethics issued by the Institute of Cost Accountants of India has been complied with.
- ii. The cost audit is carried out as per the provisions of the Company Law; document to show that qualification criteria provided in the Law is satisfied.
- iii. Document that shows that the Cost Auditor has not rendered any service that he cannot render by virtue of holding office as a cost auditor, either directly or indirectly to the company or its holding company or subsidiary company.

## **Standards of Cost Auditing issued by the Institute with the approval of the Central Government**

**SCA-104 on Knowledge of business, its processes and the business environment** prescribes that the cost auditor should refer to all the possible resources and materials to gather knowledge about the entity and its environment. Some ways to get the general information about the entity are Annual Report of the entity, Process Study, Plant Visits, Supply Chain, Company's website, Discussion with management and HODs to have a basic understanding of the Business, strategies as well as operational aspects.

Some ways to get the information about the economic environment of the entity are Annual Report of Competitor/s, Internet, Newspapers, Journals, Relevant Ministerial reports, Reports of Centre for Monitoring Indian Economy (CMIE) and Research Papers Published etc.



## Code of Professional Ethics of the Institute

As professionals in the field of Cost and Management Accounting, the members of the Institute are bound by code of professional ethics. This code stipulates and binds them to the highest level of care, duty and responsibility to their employers and clients, the fellow professionals, the stakeholders and the society at large.

The Guidelines of the Institute of Cost Accountants of India shall set Standards for Code of Ethics of Cost Accountants such that a member will:

- i. maintain at all times independence of thought and action;
- ii. not express an opinion on cost / financial reports or statements without first assessing her or his relationship with her or his client to determine whether such Member might expect her or his opinion to be considered independent, objective and unbiased by one who has knowledge of all the facts; and
- iii. When preparing cost / financial reports or statements or expressing an opinion on cost / financial reports or statements, disclose all material facts known to such Member in order not to make such cost / financial reports or statements misleading, acquire sufficient information to warrant an expression of opinion and report all material misstatements or departures from generally accepted accounting principles.

## Code of Professional Ethics of the Institute

- iv. not disclose or use any confidential information concerning the affairs of such Member's employer or client unless acting in the course of his or her duties or except when such information is required to be disclosed in the course of any defense of himself or herself or any associate or employee in any lawsuit or other legal proceeding or against alleged professional misconduct by order of lawful authority or any committee of the Society in the proper exercise of their duties but only to the extent necessary for such purpose;
- v. inform his or her employer or client of any business connections or interests of which such Member's employer or client would reasonably expect to be informed;
- vi. not, in the course of exercising his or her duties on behalf of such Member's employer or client, hold, receive, bargain for or acquire any fee, remuneration or benefit without such employer's or client's knowledge and consent; and
- vii. take all reasonable steps, in arranging any engagement as a consultant, to establish a clear understanding of the scope and objectives of the work before it is commenced and will furnish the client with an estimate of cost, preferably before the engagement is commenced, but in any event as soon as possible thereafter.

## **Code of Professional Ethics of the Institute**

- viii. conduct himself or herself toward other Members with courtesy and good faith;
- ix. not accept any engagement to review the work of another Member for the same employer except with the knowledge of that Member, or except where the connection of that Member with the work has been terminated, unless the Member reviews the work of others as a normal part of his or her responsibilities;
- x. not attempt to gain an advantage over other Members by paying or accepting a commission in securing management accounting work;
- xi. not to act maliciously or in any other way which may adversely reflect on the public or professional reputation or business of another Member.
- xii. at all times maintain the standards of competence expressed by the Institute from time to time;
- xiii. Undertake only such work as he or she is competent to perform by virtue of his or her training and experience and will, where it would be in the best interests of an employer or client, engage, or advise the employer or client to engage other specialists.

## Code of Professional Ethics of the Institute

These Guidelines recognize that the objectives of the accountancy profession are to work to the highest standards of professionalism, to attain the highest levels of performance and generally to meet the public interest requirement. These objectives require four basic needs to be met:

- a) Credibility in information and information systems;
- b) Professionalism identified by employers, clients and other interested parties;
- c) Quality of service carried out to the highest standards of performance; and
- d) Confidence that there is a framework of professional ethics to govern the provision of services.

In order to achieve the objectives of the accountancy profession, cost accountants have to observe fundamental principles, which are:

- (a) Integrity:** A cost accountant should be straightforward and honest in performing his services.
- (b) Objectivity:** A cost accountant should be fair and should not allow prejudice or bias or the influence of others to override objectivity.

## Code of Professional Ethics of the Institute

**(c) Competence:** A cost accountant must refrain from performing any service which he is not competent to carry out unless proper advice and assistance is obtained to ensure that the service is performed to the satisfaction.

**(d) Confidentiality:** A cost accountant must not disclose information acquired during the course of his engagement and should not use or disclose any such information without proper and specific authority or unless there is a legal or professional right or duty to disclose.

**(e) Professional Behavior:** A cost accountant should act in a manner consistent with the good reputation of the profession.

In addition to the fundamental principles mentioned above a cost accountant in practice, should be and appear to be free of any interest which might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.



## **Code of Professional Ethics of the Institute**

### **The Cost and Works Accountants Act, 1959**

A cost accountant whether in practice or not shall comply with the provisions of the First Schedule and Second Schedule of the Cost and Works Accountants Act, 1959. Failure to comply with these provisions will attract the relevant provisions of the CWA Act, 1959.

### **Section 22 - [Professional or other misconduct defined]**

For the purposes of this Act, the expression “professional or other misconduct” shall be deemed to include any act or omission provided in any of the Schedules but nothing in this section shall be construed to limit or abridge in any way the power conferred or duty cast on the Director (Discipline) under sub-section (1) of section 21 to inquire into the conduct of any member of the Institute under any other circumstances.]

## **Compliance with Technical & Professional Standards and Code of Ethics**

*The given points are for the purpose of listing and the Reviewer can use his own points to check whether the Standards are complied with or not.*

Based on the above mentioned Standards, the reviewer has to check the following points in order to ensure that the Standards have been followed by the PU while rendering the services to the clients.

1. Compliance with the Framework for the preparation and presentation of Cost Statements issued by Institute as well as well as prescribed under the relevant statutory provisions followed by the PU;
2. Consideration of relevant notifications and advisories issued by the Institute;
3. Whether samples collected by the PU are sufficient and appropriate to draw conclusions or form an opinion;
4. Appropriate disclosure of material facts by PU in case of any Audit client;
5. Maintenance of proper working papers by the PU;

## Compliance with Code of Ethics

*The given points are for the purpose of listing and the Reviewer can use his own points to check whether the Standards are complied with or not.*

1. Adherence by the PU to the code of ethics of the Institute
2. Compliance with professional ethics by the PU such as independence, integrity, confidentiality, objectivity etc.
3. Any professional misconduct by the PU till date
4. Status of independence of PU due to having interest in the clients business or with any of its officers
5. Any association of PU with its client posing a threat to its independence
6. Has the PU withdrawn from any engagement to protect its independence
7. Crossing of prescribed limit of maximum clients by the PU
8. To check whether the website of the PU follows the guidelines/ directions as prescribed by the Institute
9. To confirm whether PU is complying with the requirements of QRB of the Institute
10. To confirm whether PU has exercised care and diligence before performing audit and assurance services
11. To check whether PU maintains the norms of confidentiality engagement documents
12. To check whether PU has properly responded to the cases of conflict of Interest



## **Compliance with Cost Accounting Standards (CASs)**

To check whether the PU has ensured the mandatory compliance of Cost Accounting Standards / GACAP by the entity / client while preparing and maintaining Cost Records under the Companies (Cost Records and Audit) Rules, 2014.

## **Compliance with Standards on Cost Auditing (SCAs)**

1. Has the audit / assignment been planned by the PU and discussed with the management?
2. Does the PU have the engagement letter for the assignment clearly mentioning the scope and fees quoted and in case of Cost Audit Form CRA-2 with Board resolution?
3. Has the PU gathered adequate knowledge and understanding of the client's business, its processes and environment?
4. Has the PU followed the Standards on Cost Auditing issued by the Institute while conducting audit of cost records?
5. In case of Cost Audit assignment, reviewer has to check the following points and record in his report:
  - Check the date of Board meeting approving the Annexures to Cost Audit Report
  - Check date of Signing of Cost Audit Report
  - Check UDIN and date on generation

*The given points are for the purpose of listing and the Reviewer can use his own points to check whether the Standards are complied with or not.*

*Thanks*