

# ***Exposure Draft Guidance Note***

## ***On Issuance of Compliance Report By Cost Accountant***

*(Read with Companies (Cost Accounting Records) Rules 2011 and Industry Specific Cost Accounting Records Rules 2011 issued for six regulated industries)*

**LAST DATE FOR COMMENTS: DECEMBER 17, 2012**



**PROFESSIONAL DEVELOPMENT COMMITTEE**

**The Institute of Cost Accountants of India**

HQ: CMA Bhawan, 12, Sudder Street, Kolkata-700 016

Delhi Office: CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi-110003



# The Institute of Cost Accountants of India

Date: 29<sup>th</sup> November 2012

## **EXPOSURE DRAFT** **Guidance Note on Issuance of Compliance Report**

The following is the Exposure Draft of Guidance Note on Issuance of Compliance Report. The Central Government vide GSR 429(E) dated 3<sup>rd</sup> June, 2011 issued Companies (Cost Accounting Records) Rules, 2011 and on 7<sup>th</sup> December 2011 issued Industry specific Cost Accounting Records Rules 2011 for six industries vide GSR 869(E) – Cost Accounting Records (Telecommunication Industry) Rules, 2011, GSR 870(E)- Cost Accounting Records (Petroleum Industry) Rules 2011, GSR 871(E)- Cost Accounting Records (Electricity Industry) Rules 2011, GSR 872(E)- Cost Accounting Records (Sugar Industry) Rules 2011, GSR 873(E)- Cost Accounting Records (Fertilizer Industry) Rules 2011 and GSR 874(E)- Cost Accounting Records (Pharmaceutical Industry) Rules 2011, has mandated filing the Compliance Report with the Central Government by the companies meeting the threshold limits and are not in exempted categories as indicated in General Circular No. 67/2011 dated 30<sup>th</sup> November 2011 issued by the Ministry of Corporate Affairs read with MCA vide aforesaid letter No F. No. 52/1/CAB-2012 dated 25th May 2012.

Exposure Draft of Guidance Note on Issuance of Compliance Report is issued by the “Professional Development Committee” of the Institute of Cost Accountants of India, for comments and suggestions. The comments/ suggestions on any aspect of this Exposure Draft would be most helpful if they indicate the specific paragraph or group of paragraphs including page number to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording.

The proposed Guidance Note may be modified in light of comments/ suggestions received before the same being issued as Guidance Note on Issuance of Compliance Report.

Please submit your views/ comments/ suggestions **preferably by email [pd.budhiraja@icwai.org](mailto:pd.budhiraja@icwai.org)** latest by **December 17, 2012.**

Comments should be addressed to:

CMA J.K. Budhiraja  
Director (Professional Development) and  
Secretary to Professional Development Committee  
The Institute of Cost Accountants of India,  
CMA Bhawan, 3rd Floor,  
3, Lodhi Road, Institutional Area,  
New Delhi- 110003  
Email: [pd.budhiraja@icwai.org](mailto:pd.budhiraja@icwai.org)





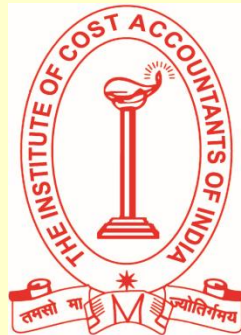
The Institute of Cost Accountants of India

*Exposure Draft*

**GUIDANCE NOTE**

**ON ISSUANCE OF**

***Compliance Report***



***The Institute of Cost Accountants of India***

**November, 2012**





## Guidance Note on issuance of Compliance Report by Cost Accountant

*(Read with Companies (Cost Accounting Records) Rules 2011 and Industry Specific Cost Accounting Records Rules 2011 issued for six regulated industries)*

### 1. Introduction

The Central Government vide GSR 429(E) dated 3<sup>rd</sup> June, 2011 issued Companies (Cost Accounting Records) Rules, 2011 hereinafter referred to Common-CARR and on 7<sup>th</sup> December 2011 issued Industry specific Cost Accounting Records Rules 2011 for six industries vide GSR 869(E) – Cost Accounting Records (Telecommunication Industry) Rules, 2011, GSR 870(E)- Cost Accounting Records (Petroleum Industry) Rules 2011, GSR 871(E)- Cost Accounting Records (Electricity Industry) Rules 2011, GSR 872(E)- Cost Accounting Records (Sugar Industry) Rules 2011, GSR 873(E)- Cost Accounting Records (Fertilizer Industry) Rules 2011 and GSR 874(E)- Cost Accounting Records (Pharmaceutical Industry) Rules 2011, hereinafter referred to IS-CARR.

### 2. Applicability

#### (a) Common- CARR

As per Rule 3 of the Common CARR, the rules shall apply to every company, including a foreign company as defined under section 591 of the Act, which is engaged in the production, processing, manufacturing, or mining activities and wherein any one or more of the conditions given hereinafter are met. *The Common CARR are not applicable to the activities or products covered in the IS-CARR.*

#### (b) IS-CARR

As per Rule 3 of the **respective IS- CARR**, the rules shall apply to every company, including a foreign company as defined under section 591 of the Act, which is engaged in the production, processing, manufacturing, or activities as mentioned in the respective CARR (e.g. Telecommunication, Petroleum, Electricity, Sugar, Fertilizer and Pharmaceutical) and wherein any one or more of the conditions given hereinafter are met.

***The Conditions as prescribed in Common- CARR and IS-CARR are as follows:***

1. *the aggregate value of net worth as on the last date of the immediately preceding financial year exceeds five crores of rupees; or*



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2. *the aggregate value of the turnover made by the company from sale or supply of all products or activities during the immediately preceding financial year exceeds twenty crores of rupees; or*
3. *the company's equity or debt securities are listed or are in the process of listing on any stock exchange, whether in India or outside India.*

***The above conditions are mutually exclusive and a company meeting with any of the condition shall be covered under the respective cost accounting records rules.***

***The Common- CARR or IS-CARR shall not apply to a body corporate governed by any special Act. Further, Common CARR are not applicable on the companies/ industries covered under the IS-CARR.***

### **3. Definitions of Activities covered under respective CARR**

#### **Common- CARR**

The Companies (Cost Accounting Records) Rules 2011 gives the definitions of manufacturing, mining and processing activities as follows:

- (a) "Manufacturing Activity"** includes any act, process or method employed in relation to -
- (i) transformation of raw materials, components, sub-assemblies, or parts into semi-finished or finished products; or
  - (ii) making, altering, repairing, fabricating, generating, composing, ornamenting, furnishing, finishing, packing, re-packing, oiling, washing, cleaning, breaking-up, demolishing, or otherwise treating or adapting any product with a view to its use, sale, transport, delivery or disposal; or
  - (iii) constructing, reconstructing, reconditioning, servicing, refitting, repairing, finishing or breaking up of any products.
- (b) "Mining Activity"** includes any act, process or method employed in relation to the extraction of ores, minerals, oils, gases or other geological materials from the earth's crust, including sea bed or river bed.
- (c) "Processing Activity"** includes any act, process, procedure, function, operation, technique, treatment or method employed in relation to-



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- (i) altering the condition or properties of inputs for their use, consumption, sale, transport, delivery or disposal; or
- (ii) accessioning, arranging, describing, or storing products; or
- (iii) developing, fixing, and washing exposed photographic or cinematographic film or paper to produce either a negative image or a positive image; or
- (iv) printing, publishing, finishing, perforation, trimming, cutting, or packaging; or
- (v) pumping oil, gas, water, sewage or any other product; or
- (vi) transforming or transmitting, distributing power or electricity; or
- (vii) harboring, berthing, docking, elevating, lading, stripping, stuffing, towing, handling, or warehousing products; or
- (viii) preserving or storing any product in cold storage; or
- (ix) constructing, reconstructing, reconditioning, repairing, servicing, refitting, finishing or demolishing of buildings or structures; or
- (x) farming, feeding, rearing, treating, nursing, caring, and stocking of living organisms; or
- (xi) telecasting, broadcasting, telecommunicating voice, text, picture, information, data or knowledge through any mode or medium; or
- (xii) obtaining, compiling, recording, maintaining, transmitting, holding or using the information or data or knowledge; or
- (xiii) executing instructions in memory to perform some transformation and/or computation on the data in the computer's memory.

## IS-CARR

The Industry Specific Cost Accounting Records Rules 2011 defines activities covered under each of the cost accounting records rules as follows:

### I. Cost Accounting Records (Telecommunication Industry) Rules, 2011

“**Telecommunication Activities**” means any act, process, procedure, function, operation, technique, treatment or method employed in relation to telecasting, broadcasting, telecommunicating voice, text, picture, information, data or knowledge through any mode or medium and includes intermediate and allied activities thereof and these activities would, inter alia, include the following services or activities,



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including such services that require license or registration with the Ministry of Communications and Information Technology, Government of India, namely: -

- (i) Basic Telephone Services;
- (ii) National Long Distance Services;
- (iii) International Long Distance Services;
- (iv) Cellular Mobile Telephone Services;
- (v) Wireless Local Loop (WLL) (Fixed or Mobile) Telephone Services;
- (vi) Very Small Aperture Terminal Services;
- (vii) Public Mobile Radio Trunk Services;
- (viii) Global Mobile Personal Communication Services;
- (ix) Internet or Broadband or Wireless Access service;
- (x) Infrastructure Provider (IP-1);
- (xi) Passive Telecom Infrastructure including Telecom Tower Facilities;
- (xii) Cable Landing Stations; and
- (xiii) Any other related, allied, intermediate or support services in relation to telecommunication activities not indicated above.

## II. Cost Accounting Records (Petroleum Industry) Rules 2011

“**Petroleum Activities**” means production, processing, manufacturing or mining of crude oil, gases [including Natural Gas, Compressed Natural Gas, Liquefied Petroleum Gas and regasified gases, etc. as defined in the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006)] or Biogas or any other petroleum products, or included under Chapter 27 of the Central Excise Tariff Act, 1985 (5 of 1986), including the intermediate products and articles or allied products or activities thereof and includes storage, transportation or distribution of crude oil or gases or biogas or any or all of the petroleum products.

## III. Cost Accounting Records (Electricity Industry) Rules 2011

“**Electricity Activities**” means any act, process, procedure, function, operation, technique, treatment or method employed in relation to generation of electricity from any source of energy, and includes



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transformation, transmission, distribution, or supply of electricity by any mode, or medium, and further includes intermediate and allied activities thereof.

## IV. Cost Accounting Records (Sugar Industry) Rules 2011

“**Sugar Activities**” means the activities relating to the production, processing, or manufacturing of any form or grade of sugar, molasses, or alcohol (including ethyl alcohol, rectified spirit, absolute alcohol, denatured alcohol, power alcohol, or solvent blends etc. but excluding potable alcohol) by using any raw materials, and includes the meaning assigned to them under Chapter 17 or Chapter 22 of the Central Excise Tariff Act, 1985 (5 of 1986) or of the Customs Tariff Act, 1975 (51 of 1975), and further includes the intermediate products and articles or allied products thereof.

## V. Cost Accounting Records (Fertilizer Industry) Rules 2011

“**Fertilizer Activities**” means production, processing, manufacturing or mining of any type of fertilizers whether nitrogenous, phosphatic, potassic or complex (organic, inorganic or mixed) and includes all types of fertilizers as defined in clause (h) of section 2 of the Fertilizer (Control) Order, 1985 made under section 3 of the Essential Commodities Act, 1955 (10 of 1955) or included under Chapter 31 of the Central Excise Tariff Act, 1985 (5 of 1986), and further includes the intermediate products and articles or allied products or activities thereof.

## VI. Cost Accounting Records (Pharmaceutical Industry) Rules 2011

“**Pharmaceutical Activities**” means production, processing, or manufacturing of bulk drugs or formulations and includes the meaning assigned to them under the Drugs (Prices Control) Order 1995 as amended from time to time, or included under Chapters 29 and 30 of the Central Excise Tariff Act, 1985 (5 of 1986), and further includes the intermediate products and articles or allied products thereof.

## 4. Compliance Report

As per Rule 2 of respective CARR defines “*Compliance Report*” means Compliance Report duly authenticated and signed by a cost accountant in the prescribed form of compliance report.

### 4.1 Filing of Compliance Report

#### (a) Common- CARR

As per Rule 5 of the Companies (Cost Accounting Records) Rules 2011, every company to which these rules apply shall submit a compliance report, in respect of each of its financial year commencing on or





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after the 1st day of April, 2011, duly certified by a cost accountant, along with the Annexure to the Central Government, in the prescribed form.

## **(b) IS-CARR**

As per Rule 5 of respective Industry Specific Cost Accounting Records Rules 2011, every company to which these rules apply shall submit a compliance report, in respect of each of its financial year commencing on or after the date of this notification (i.e. 7<sup>th</sup> December 2011 onwards), duly certified by a Cost Accountant, along with the Annexure to the Central Government, in the specified form.

### **4.2 Exemption from Filing Compliance Report**

**4.2.1** *MCA vide General Circular No. 67/2011 dated 30<sup>th</sup> November 2011*, clarified that the Companies (Cost Accounting Records) Rules, 2011 are not applicable to:

- (i) Wholesale or retail trading activities.
- (ii) Banking, financial, leasing, investment, insurance, education, healthcare, tourism, travel, hospitality, recreation, transport services, business/professional consultancy, IT & IT enabled services, research & development, postal/courier services, etc. unless any of these have been specifically covered under any other Cost Accounting Records Rules.
- (iii) Companies engaged in rendering job work operations or contracting/ sub-contracting activities, and are paid only the job work or conversion charges, such as tailoring, baking, repairing, painting, printing, constructing, servicing, etc.
- (iv) Companies engaged in the production, processing, manufacturing or mining activities till such time they commences their commercial operations.
- (v) Ancillary products/activities of companies incidental to their main operations (i.e. products/activities that do not constitute their main line of business) and wherein the total turnover from the sale of each such ancillary products/activities do not exceed 2% of the total turnover of the company or Rs.20 crores, whichever is lower. However, required details of all such ancillary products/activities may be maintained under a miscellaneous group and disclosed appropriately.

**4.2.2** *Ministry of Corporate Affairs vide letter no. F. No. 52/1/CAB-2012 dated 25<sup>th</sup> May 2012* clarified that there is no exemption from filing of Compliance Report by the Construction Industry and mentioned the following:



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- a) All companies engaged in the construction and/or development (real estate) businesses who meet with the threshold limits laid down in Rule 3 of the Companies (Cost Accounting Records) Rules, 2011 shall be required to maintain cost accounting records and file compliance report with the Central Government in accordance with the provisions of these Rules. This includes companies undertaking construction jobs with the use of own materials [whether self-manufactured/produced or procured from outside] and/or development of residential, commercial or industrial estates i.e. development of township, residential units, commercial complex, office blocks, industrial parks [including SEZ], etc. or construction of highways, rails, roads, bridges, industrial & non-industrial structures, or other infrastructure facilities etc. or construction activities undertaken under BOT/BOOT mode, or the projects undertaken as EPC contractor or the projects undertaken abroad by a company incorporated in India.
- b) As per MCA's General Circular No. 67/2011 dated 30th November 2011, companies engaged in construction business as contractors or sub-contractors wherein they are paid only the conversion charges are exempted from the applicability of Companies (Cost Accounting Records) Rules, 2011.
- c) Companies (Cost Accounting Records) Rules, 2011 do not apply to such Joint Ventures that are non-corporate entities [i.e. not companies registered under the Companies Act] or to unlisted companies that are below the specified threshold limits or to a body corporate governed by any special Act.

As on date, no cost audit is applicable on the companies engaged in the construction and/or development (real estate) business. Hence, these companies are only required to maintain cost accounting records and file compliance report with the Central Government that can be signed by their employee cost accountant as defined in Rule 2(c) of the Companies (Cost Accounting Records) Rules, 2011.

**Note:** For more clarity, the readers may refer "**Guidance Note on Maintenance of Cost Accounting Records for Construction Industry including Real Estate and Property Development Activity**" issued by the Institute of Cost Accountants of India. **Click here to download:** <http://casbicwai.org/CASB/gncas-con-regform.asp>

**4.2.3** MCA vide aforesaid letter No F. No. 52/1/CAB-2012 dated 25th May 2012 also clarified that Joint Ventures that are non-corporate entities [i.e. not companies registered under the Companies



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Act] or to unlisted companies that are below the specified threshold limits or to a body corporate governed by any special Act are not required to file the compliance report.

**4.2.4** *MCA General Circular No. 12/2012 dated 4<sup>th</sup> June 2012* further clarified that in case of companies engaged in production, processing, manufacturing or mining of multiple products/activities, if any of their products/activities are not covered under the industry specific Cost Accounting Records Rules, but are covered under the Companies (Cost Accounting Records) Rules, 2011 notified vide GSR 429(E) dated June 3, 2011 and wherein such products/activities are not covered under cost audit vide cost audit orders dated June 30, 2011 and January 24, 2012; such companies shall be required to file compliance report with the Central Government in accordance with the clarifications given vide *para (a) of the MCA's General Circular No. 68/2011 dated 30th November, 2011*.

**Provisions as per Para (a) of the MCA's General Circular No. 68/2011 dated 30th November, 2011 are as follows:**

*“That the companies covered under Companies (Cost Accounting Records) Rules, 2011 shall only file a simple compliance report as per the notified Form-B (copy enclosed) and no other details of cost records are required to be filed with the Government. If all the products/activities of a company, excluding the exempted categories, are covered under cost audit, then the company will not be required to separately file the compliance report.”*

**4.2.5** It has been *clarified by the Institute through Frequently Asked Questions* that if one or more product(s)/activity(s) of a company is covered under Cost Audit and there are other products covered under Common-CARR or any of the IS-CARR but not covered under Cost Audit as per industry specific Cost Audit Orders dated 2nd May, 2011, 30th June, 2011 or 24th January 2012, the Company will be required to file a Compliance Report for the Company as a whole covering products under cost audit and products not under cost audit.

Further, if one or more product(s)/activity(s) of a company is covered under Cost Audit and there are other products not covered under either Common-CARR or any of the IS-CARRs, then the company will not be required to file a Compliance Report since the product(s)/activity(s) other than product(s)/ activity(s) under Cost Audit are in the exempted category. **Click here to view FAQ:** <http://www.icwai.org/icwainew/docs/FAQ/FAQ-4.pdf>



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## 4.3 Form of Compliance Report

As per Rule 5 of the Common- CARR and IS-CARR, the Compliance Report is to be filed in the prescribed/ specified Form. The Compliance Report consists of (a) the e-Form to be filed by the Company; and (b) Compliance Report and its Annexure:

- (a) Form A for filing Compliance Report and other documents with the Central Government consists of Part I providing General Information of the Company and Part II consists of the attachments and digital signatures on behalf of the Company.
- (b) Form B is the Compliance Report and Annexure to the Compliance Report.

However, *Ministry of Corporate Affairs, vide General Circular No. 8 dated 10<sup>th</sup> May 2012* has mandated filing of Compliance Reports (Form-A) for the year 2011-12 onwards by using the XBRL taxonomy. *The Compliance report, required to be filed in the XBRL format, would be based on the Taxonomy on XBRL being developed for the format (Form-A) given in the following Rules:*

- (i) Companies (Cost Accounting Records) Rules, 2011
- (ii) Cost Accounting Records (Telecommunication Industry) Rules 2011
- (iii) Cost Accounting Records (Petroleum Industry) Rules 2011
- (iv) Cost Accounting Records (Electricity Industry) Rules 2011
- (v) Cost Accounting Records (Sugar Industry) Rules 2011
- (vi) Cost Accounting Records (Fertilizer Industry) Rules 2011
- (vii) Cost Accounting Records (Pharmaceutical Industry) Rules 2011

## 4.4 Time Limit for Submission of Compliance Report

Every company to which respective cost accounting records rules apply is required to submit the compliance report, to the Central Government *within a period of one hundred and eighty days from the close of the company's financial year* to which the compliance report relates.

In case financial accounts are not ready or are yet to be adopted in the AGM, the same was clarified by the Cost Audit Branch earlier that the cost auditor can submit the report based on provisional accounts



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and submit a supplementary report of reconciliation in case there are materials differences in the final adopted accounts.

## 4.5 Authentication and Certification of Compliance Report:

The Annexure to the compliance report is required to be approved by the Board of Directors and certified by a Cost Accountant before submitting the same to the Central Government by a company.

As per the respective Cost Accounting Records Rules, 2011 only **Cost Accountant or Firm of Cost Accountants** is eligible to authenticate and issue the Compliance Report. The term "cost accountant" as defined in the Rules means a cost accountants defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) and who is either a permanent employee of the company or holds a valid certificate of practice under subsection (1) of section 6 and who is deemed to be in practice under subsection (2) of section 2 of that Act and includes a firm of cost accountants.

A cost accountant shall be eligible to authenticate and issue the Compliance Report if he fulfills the following conditions:

- (i) *He is either a permanent employee of the company or holds a valid certificate of practice under subsection (1) of section 6 and who is deemed to be in practice under subsection (2) of section 2 of the Cost and Works Accountants Act, 1959 as amended and includes a firm of cost accountants;*
- (ii) *He is not holding a part-time certificate of practice; or*
- (iii) *His membership fees are not in arrears;*
- (iv) *He is not a member admitted by the Institute of Cost Accountants of India through reciprocal arrangement of membership by virtue of being a member of Institute of Management Accountants USA.*

*As clarified by the Institute of the Cost Accountants of India through Frequently Asked Questions that employee-cost accountant shall be eligible to authenticate the Compliance Report of that Company only where he is working as permanent employee and shall not be eligible to authenticate Compliance Report of any other company even under the same group.*

## 4.6 Ceiling on issue of Compliance Reports

Common- CARR and IS-CARR do not prescribe any ceiling on the number of companies for which a Cost Accountant can certify and issue a compliance report. However, as clarified by the Institute above that



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employee-cost accountant shall be eligible to authenticate the Compliance Report of that Company only where he is working as permanent employee and shall not be eligible to authenticate Compliance Report of any other company even under the same group.

**Note: Ministry of Corporate Affairs, Cost Audit Branch vide letter no. 52/5/CAB-2011 dated 6<sup>th</sup> November, 2012 invited comments/suggestions from the companies, professionals and other stakeholders from corporate sector connected with cost accounting records and cost audit to examine the issues relating to regulating the cost audit/compliance report fees as suggested by the Institute and also fixing the limit on number of Compliance Report to 50 by each practicing cost accountant or for each partner of a firm of cost accountants.**

A cost accountant in whole time practice can be appointed by a company for authentication and certification of compliance report. A cost accountant or firm of cost accountants can authenticate and certify compliance reports to any number of companies appointing him for this purpose without any ceiling. It is clarified by the Frequently Asked Questions that a cost accountant who has been appointed as cost auditor of the company can also certify the compliance report of that company apart from conducting the audit of cost records for the products under cost audit.

#### **4.7 Mode and Period of Appointment of Cost Accountant**

The Rules have not prescribed the procedure for appointment of cost accountant in practice to authenticate the Compliance Report. In case a company desires to have its Compliance Report certified by a Practicing Cost Accountant, it is advisable to appoint the cost accountant in practice by the Board of Directors since the Board has been made responsible to approve the Annexure to Compliance Report before the same is submitted to the Central Government. In case a company decides to get it certified by a permanent employee of the organisation, nominating/authorizing the employee cost accountant would be an internal matter of the company.

#### **4.8 Fee for authentication and Certification of Compliance Report**

The Council of the Institute of Cost Accountants of India in its 268<sup>th</sup> Meeting held on 28<sup>th</sup> May, 2011 approved suggested charging of minimum professional fees for compliance report as follows:

<b>Turnover in Rupees Crore</b>	<b>Fee for Compliance Report (Rupees)</b>
20 - 50	35,000
50 - 75	50,000
100 – 150	75,000



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150 – 250	1,00,000
250 – 500	1,50,000
500 – 750	2,00,000
750 – 1000	2,50,000
1000 – 2500	3,50,000
2500 – 5000	4,50,000
5000 – 20000	5,00,000
20000 and above	Negotiable

**Note: Service Tax and other applicable Taxes, Travelling and out-of-pocket expenses will be charged extra.**

The above is suggested fee; the cost accountant in practice may charge the fee based on criteria like net-worth vis-a-vis turnover of the company, nature and quality of cost records maintained by the company, number of days and man hours involved etc. However the minimum fee for compliance report should ordinarily not be less than the suggested fee as above. **Click here to download the suggested fee structure:** <http://www.icwai.org/icwainew/docs/FAQ/FAQ-4.pdf>

**Note: Ministry of Corporate Affairs, Cost Audit Branch vide letter no. 52/5/CAB-2011 dated 6<sup>th</sup> November, 2012 invited comments/suggestions from the companies, professionals and other stakeholders from corporate sector connected with cost accounting records and cost audit to examine the issues relating to regulating the cost audit/compliance report fees as suggested by the Institute and also fixing the limit on number of Compliance Report to 50 by each practicing cost accountant or for each partner of a firm of cost accountants.**

### 4.9 Scope of Compliance Report

Both Common-CARR and IS-CARR prescribe submission of Compliance Report in Form-B alongwith Annexure thereof. Though the scope of Compliance report under Common- CARR and IS-CAR similar but the respective IS-CARR vide Rule 4 specifies that the regulated industries (including all units and branches thereof) shall, in respect of each of their financial year commencing on or after the date of notification (date of Notification 7<sup>th</sup> December 2011) of respective cost accounting records, keep cost records and the books of account so maintained shall contain, inter-alia, the particulars specified in Performae mentioned in the Schedules annexed to respective Industry Specific Cost Accounting Records Rules 2011.



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## 4.10 Maintenance of Cost Accounting Records

The Compliance Report should be prepared based on Cost Accounting Records maintained by the Company including its units and branches, in respect of each of its financial year. These cost records are required to be kept on regular basis in such manner so as to make it possible to calculate per unit cost of production or cost of operations, cost of sales and margin for ***each of its products and activities carried out at individual production units or locations*** for every financial year on monthly/quarterly/half-yearly/annual basis.

Rule 4(3) of the respective cost accounting records rules stipulates that the cost accounting records should be maintained in accordance with the Generally Accepted Cost Accounting Principles (GACAP) and Cost Accounting Standards (CAS) issued by the Institute of Cost Accountants of India to the extent these are found relevant and applicable.

The cost records including statistical, quantitative and other records which enable the company to exercise, as far as possible, control over the various operations and costs with a view to achieve optimum economies in utilization of resources are required to be maintained. Cost records are required to be maintained on continuous basis from the basic stage of inputs to the final output. These rules also require that the records should be maintained in such a manner so that they are able to provide necessary data which is required to be furnished under these rules.

The rules also require that all such cost records and cost statements, maintained under these rules shall be reconciled with the audited financial statements for the relevant financial year specifically indicating expenses or incomes not considered in the cost records or statements so as to ensure accuracy and to reconcile the costing profit of all its products/activities with the overall profit of the company. The cost accountant is required to clearly indicate and explain any variation, if any, in his compliance report or cost audit report as the case may be.

**Note:** For details, the readers may refer “**Guidance Note on Maintenance of Cost Accounting Records**” issued by the Institute of Cost Accountants of India. **Click here to download:** <http://members.icwai.org/members/CAR/gn-resources.asp>

## 4.11 Filing of Compliance Report in XBRL Format

Ministry of Corporate Affairs (MCA) vide General Circular No. 8/2012 dated May 10, 2012 has mandated filing of Cost Audit Reports and Compliance Reports in XBRL format from the financial year 2011-12.





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*Central Government vide General Circular no. 18/2012 dated July 26, 2012 has extended filing of the Compliance Report in XBRL format till December 31, 2012.*

Any valid Member of the Institute of Cost Accountants of India who is either in full-time employment with the concerned company or is holding full-time Certificate of Practice can only certify the Compliance Report. Provided he is not signing the Compliance Report as Company Secretary or as Director of the company.

## **General Instruction for Filing the Compliance Report in XBRL Format**

1. The Compliance Report approved by the Board should be used as source for creation of the XBRL instance Document.
2. The Compliance Report instance document should be generated as per the costing taxonomy notified by MCA. The instance document should comply with the following conditions:
  - a. **Completeness:** All the required information is reported in accordance with the Business Rules in respect of Costing Taxonomy i.e. ensure that all mandatory items are reported.
  - b. **Mapping:** The elements tagged should be consistent with the meaning of the associated cost concepts in the Compliance Report.
  - c. **Accuracy:** The amounts, dates, other attributes (for example, Monetary units), and relationships (order and calculations) in the instance document should be consistent with the Compliance Report.
  - d. **Structure:** XBRL instances are structured in accordance with the costing taxonomy.
3. The XBRL Instance Document of Compliance Report is to be prepared on the basis of audited/certified cost data and other statements of the company. To fulfill the requirement of filing the cost data and other information as per the notified costing taxonomy, the MCA has issued necessary amendments for both cost audit report rules and compliance report.
4. The Compliance Report should be prepared in hard copy for the approval of the Board of Directors containing all the data that is to be filed with signatures of the cost accountant, Company Secretary and a Director. The cost accountant should take a human readable printout of the final instance document rendered by the software tool to create the Instance Document and the same should be preserved before uploading the requisite files on the MCA21 Portal.



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5. As of now the costing taxonomy does not permit any extensions. All the facts need to be reported with the help of elements defined in the taxonomy.
6. "Product or Activity Group classification" in the instance document should be strictly in accordance with the notification issued by the Ministry of Corporate Affairs vide S.O. No. 1747(E) dated 7<sup>th</sup> August 2012.

The Companies (Cost Accounting Records) Rules 2011 as well as the 6 Regulated Industries cost accounting records rules notified by the MCA contained the Compliance Report format and Annexure to the Compliance Report. A number of information was contained in the e-Form for filing of the Compliance Report. In the Costing Taxonomy for Compliance Report, the information contained under "General Information" in the e-form has been merged and the entire information has now been made a part of the information required to be filed in the Compliance Report. The Taxonomy for Compliance Report contains the following elements in respect of General Information:

<b>[200100] General information compliance</b>
<i>General information compliance [abstract]</i>
<i>Corporate identity number or foreign company registration number</i>
<i>Name of company</i>
<i>Address of registered office or of principal place of business in India of company</i>
<i>Address of corporate office of company</i>
<i>Email address of company</i>
<i>Current financial year [abstract]</i>
<i>Date of start of reporting period</i>
<i>Date of end of reporting period</i>
<i>Level of rounding used in cost statements</i>
<i>Reporting currency of entity</i>
<i>Date of board of directors' meeting in which annexure to compliance report was approved</i>
<i>Details of cost accountant [abstract]</i>
<i>Nature of employment of cost accountant</i>
<i>Category of cost accountant</i>
<i>Firm's registration number</i>
<i>Name of cost accountant or cost accountant's firm who has certified compliance report of company</i>
<i>Permanent account number of cost accountant or cost accountant's firm</i>
<i>Address of cost accountant or cost accountant's firm</i>



# The Institute of Cost Accountants of India

<i>Email id of cost accountant or cost accountant's firm</i>
<i>Membership number of member signing report</i>
<i>Name of member signing report</i>
<i>Date of signing compliance report by cost accountant</i>
<i>Place of signing compliance report by cost accountant</i>
<i>Whether compliance report has been qualified or has any reservations or contains adverse remarks</i>

The explanation of each of the elements is provided below:

## General information of Compliance Report

- 1. Corporate identity number or foreign company registration number:** Under this valid CIN/FCRN number of the Company is to be provided. The CIN/FCRN number should be same as per database of Ministry of Corporate Affairs. The Institute of Cost Accountants of India provides this data base based on the information provided by the cost accountant to the Institute.
- 2. Name of company:** Provide the name of the Company which should be based on CIN or FCRN as applicable and as per MCA Database.
- 3. Address of registered office or of principal place of business in India of company:** Provide the registered office address. In case of a foreign company, provide address of principal place of business as per MCA Database.
- 4. Address of corporate office of company:** Provide corporate office address. In case it is the same as registered office, enter registered office address as per MCA Database.
- 5. Email address of company:** Provide email address of the company as per MCA Database.
- 6. Date of start of reporting period:** Provide date of start of reporting period. The format would depend on the software tool being used by the Company. The date should be greater than or equal to date of incorporation in case of Indian company or date of establishment of place of business in case of foreign company and should be less than or equal to system date.
- 7. Date of end of reporting period:** Provide date of end of reporting period. The format would depend on the software tool being used. The date should be less than or equal to system date and greater than or equal to Start Date of Reporting Period. Difference between start date and end date should not be greater than 18 months.
- 8. Level of rounding used in cost statements:** Provide level of rounding off used for the compliance report, e.g., crores, lakhs, thousands, millions, etc. It is to be noted that the selected rounding off of figures must be adopted uniformly across the report for every para.



## The Institute of Cost Accountants of India

9. **Reporting currency of entity:** The currency of reporting is INR.
10. **Date of board of directors meeting in which annexure to compliance report was approved:** Provide date of meeting of Board of Directors approving the annexure to compliance report.
11. **Nature of Employment of cost accountant:** Provide whether the cost accountant is in employment or in practice.
12. **Category of cost accountant:** Provide whether the cost accountant is a firm or a sole proprietor. An individual practising in individual name is to be considered under the Sole Proprietorship category.
13. **Firm's registration number:** Provide registration number of the firm allotted by the Institute. The Firm registration number is applicable to cost accountant in practice.
14. **Name of cost accountant or cost accountant's firm who has certified compliance report of company:** Provide name of the firm or trade name of the sole proprietor (including individual). This name must be same as per the Institute of Cost Accountants of India database.
15. **Permanent account number of cost accountant or cost accountant's firm:** Provide PAN of firm in case the cost accountant in practice is a Firm. In case of a sole proprietor or an individual, enter the PAN of the individual member. The individual PAN of the Partner of the Firm is not to be provided here.
16. **Address of cost accountant or cost accountant's firm:** Provide address of the firm as registered with the Institute. The address of cost accountant's Firm is applicable to cost accountant in practice
17. **Email id of cost accountant or cost accountant's firm:** Provide email id of the firm. This field is applicable to cost accountant in practice.
18. **Membership number of member signing report:** Provide membership number of the signing Partner in case a Firm is appointed as the cost accountant. In case of an employee cost accountant or Sole Proprietor or individual in practice, provide membership number of the person signing the report. It should be a valid membership number as per the Institute of Cost Accountants of India database.
19. **Name of member signing report:** Provide name of the member signing the report. The name should be entered as appearing in the database of the Institute.
20. **Date of signing compliance report by cost accountant:** Provide date of signing of compliance report by cost accountant.
21. **Place of signing compliance report by cost accountant:** Enter place of signing of compliance report by cost accountant.



## The Institute of Cost Accountants of India

**22. Whether compliance report has been qualified or has any reservations or contains adverse remarks:** State whether the report has any reservation or contains adverse remarks.

**Compliance Report (Form B):** The following are the elements as per the costing taxonomy in respect of Form B of Compliance Report:

<b>[200500] Compliance report (Form B)</b>
<i>Compliance report [abstract]</i>
<i>Disclosure relating to availability of information and explanation for purpose of compliance report [text block]</i>
<i>Disclosure relating to maintenance of cost records as per applicable cost accounting records rules [text block]</i>
<i>Disclosure relating to availability of cost statements and schedules for each unit and each product or activity [text block]</i>
<i>Disclosure regarding availability of information as per companies act 1956 [text block]</i>
<i>Disclosure regarding conformity of books and records with generally accepted cost accounting principles and cost accounting standards [text block]</i>

The explanation in respect of above elements is as follows:

- 1. Disclosure relating to availability of information and explanation for purpose of compliance report:** Here the cost accountant has to make disclosure relating to availability of information and explanation which enable him to certificate the Compliance Report.
- 2. Disclosure relating to maintenance of cost records as per applicable cost accounting records rules:** Here the Cost Accountant should make a disclosure relating to maintenance of cost records in compliance to Cost Accounting Records Rules 2011 read with Section 209(1)(d) of the Companies Act, 1956 and also compliance with Generally Accepted Cost Accounting Principles (GACAP) and Cost Accounting Standards (CAS) issued by the Institute of Cost Accountants of India and Cost Accounting Policy of the Company.
- 3. Disclosure relating to availability of cost statements and schedules for each unit and each product or activity:** Here the cost accountant should make a disclosure relating to availability of cost statements and schedules for each unit and each product or activity as per the relevant cost accounting records rules.



# The Institute of Cost Accountants of India

- 4. Disclosure regarding availability of information as per companies act 1956:** Here the cost accountant has to make disclosure relating to availability of information as per the provisions of the Companies Act 1956.
- 5. Disclosure regarding conformity of books and records with generally accepted cost accounting principles and cost accounting standards:** Here the cost accountant is required to make disclosure relating to compliance of Generally Accepted Cost Accounting Principles (GACAP) and Cost Accounting Standards issued by the Institute of Cost Accountants of India and their conformity with the books of account and records maintained by the Company.

## Annexure to Compliance Report

The taxonomy in respect of Quantity Information contains the following elements:

<b>[200300] Quantitative information</b>
<i>Quantitative information [abstract]</i>
<i>Details of product or activity group [abstract]</i>
<i>Product or activity group [table]</i>
<i>Identification of product or activity group [axis]</i>
<i>General information of product or activity [abstract]</i>
<i>Name of product or activity group</i>
<i>Product or activity group code</i>
<i>Unit of measurement for product or activity group</i>
<i>Quantity produced of product or activity group</i>
<i>Net operational revenue of product or activity group [abstract]</i>
<i>Quantity sold of product or activity group</i>
<i>Net operational revenue of product or activity group</i>
<i>Whether product or activity group covered under cost audit</i>
<i>Other incomes of company</i>
<i>Total revenue as per financial accounts</i>

The explanation of each of the elements is provided below:

### Quantitative Information

- 1. Name of product or activity group:** Provide the name of product or activity group as per MCA Product Group classification notified by Ministry of Corporate Affairs vide S.O. No. 1747(E) dated 7<sup>th</sup> August 2012. **Click here to download the file:** <http://www.icwai.org/icwainew/docs/FAQ/FAQ-4.pdf>



## The Institute of Cost Accountants of India

2. **Product or activity group code:** Provide product or activity group code as per MCA Product Group classification.
3. **Unit of Measurement:** Provide Unit of Measurement of the Product or Activity Group.
4. **Quantity produced of product or activity group:** Provide the Production quantity of the Product Group.
5. **Quantity sold of product or activity group:** Provide the Sales quantity of the Product Group.
6. **Net operational revenue of product or activity group:** Provide net operational revenue of the product or activity group as per the audited financial accounts of the company.
7. **Whether product or activity group covered under cost audit:** Provide YES/NO against each product or activity group code.
8. **Other incomes of company:** Provide other incomes of the company as a whole as per audited annual accounts.
9. **Total revenue as per financial accounts:** Here sum of Net Operational Revenue and Other Incomes of the company is to be provided. This figure should be equal to the Net Revenue of the company as per audited annual accounts.

Note: Under the Revised Schedule VI, the Profit and Loss Account represents the revenue of a company under (a) Revenue from Operations; (b) Other Operating Revenues; and (c) Other Incomes. The “Other Operating Revenue” can contain certain revenue incomes that cannot be directly linked to a particular product or activity group. For example, income from scrap sale is an item that is to be disclosed under “Other Operating Revenue” and such an income would arise from the operations involving all the product groups. In cost accounts, this income may be treated as a credit to individual material cost (if directly identifiable and conform to the CAS-6) or credited to overheads. For purposes of Quantity Information, this is should be shown as a part of total Revenue of the company to reconcile with the total revenue of the company as per audited annual accounts. In such cases, “Other Operating Revenues” that cannot be directly linked to a product or activity group, such items are to be shown against Product Group Code **“4100 – Ancillary Products not elsewhere specified”**.

As per the taxonomy, the presentation or rendering will be as follows:



# The Institute of Cost Accountants of India

## QUANTITATIVE INFORMATION

Year ended

Product Group Name	Product Group Code	UOM	Whether or not Covered in Cost Audit Yes/ No	Actual Production	Net Operational Revenue	
					Quantity Units	Value Amount
<b>Total</b>						
<b>Other Incomes</b>						
<b>Total Income as per Audited Annual Report</b>						

The taxonomy in respect of Reconciliation Statement contains the following elements:

<b>[200400] Reconciliation statement</b>
<i>Reconciliation statement [abstract]</i>
<i>Profit (loss) as per cost accounts [abstract]</i>
<i>Profit (loss) from product or activity groups covered under cost audit</i>
<i>Profit (loss) from product or activity groups covered under cost accounting records rules but not covered under cost audit</i>
<i>Profit (loss) from activities not covered under cost accounting records rules</i>





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<i>Total profit (loss) as per cost accounts</i>
<i>Amount of incomes not considered in cost accounts</i>
<i>Amount of expenses not considered in cost accounts</i>
<i>Difference in stock valuation as per cost and financial records</i>
<i>Profit (loss) as per financial accounts</i>

The explanation of each of the elements is provided below:

## **Reconciliation Statement (for the company as a whole)**

- 1. Profit (loss) from product or activity groups covered under cost audit:** Provide Profit or Loss before tax, exceptional and Extra Ordinary Items for each of the Product or Activity Group covered under the cost audit as per the respective Cost Statements.
- 2. Profit (loss) from product or activity groups covered under cost accounting records rules but not covered under cost audit:** Provide Profit or Loss before tax, exceptional and Extra Ordinary Items for each of the Product or Activity Group covered under the cost accounting records rules but not covered under cost audit.
- 3. Profit (loss) from activities not covered under cost accounting records rules:** Provide Profit or Loss before tax, exceptional and Extra Ordinary Items for each of the Product or Activity Group not covered under the cost accounting records rules. These activities may be Trading Activities or exempted activities as defined in the General Circular No. 67/2011 dated 30<sup>th</sup> November 2011.
- 4. Total profit (loss) as per cost accounts:** Provide total profit or loss account as per cost accounts.
- 5. Amount of incomes not considered in cost accounts:** Here provide the consolidated amount of incomes not considered in cost accounts. The details are to be provided in the link table.
- 6. Amount of expenses not considered in cost accounts:** Here provide the consolidated amount of expenses not considered in cost accounts. The details are to be provided in the link table.
- 7. Difference in stock valuation as per cost and financial records:** Provide the amount in respect of difference in stock valuation done as per cost accounts and financial accounts.
- 8. Profit (loss) as per financial accounts:** Provide the total profit or loss account as per audited financial accounts. Total profit or loss would be before tax, exceptional and extra ordinary items.

As per the taxonomy, the presentation or rendering will be as follows:



# The Institute of Cost Accountants of India

## Reconciliation statement

Profit (loss) as per cost accounts	Current Year (.....) Amount
Profit (loss) from product or activity groups covered under cost audit	
Profit (loss) from product or activity groups covered under cost accounting records rules but not covered under cost audit	
Profit (loss) from activities not covered under cost accounting records rules	
<b>Total profit (loss) as per cost accounts</b>	
Amount of incomes not considered in cost accounts	
Amount of expenses not considered in cost accounts	
Difference in stock valuation as per cost and financial records	
<b>Profit (loss) as per financial accounts</b>	

Following are the elements as per taxonomy in respect of amount of incomes not considered in cost accounts as given in the link table are as follows:

<b>[200400a] Reconciliation statement-Details of incomes not considered</b>
<i>Reconciliation statement [abstract]</i>
<i>Details of incomes not considered in cost accounts [table]</i>
<i>Details of incomes not considered in cost accounts [axis]</i>
<i>Name of incomes not considered in cost accounts</i>
<i>Amount of incomes not considered in cost accounts</i>

The presentation or rendering of the above elements in table will be as follows:

### Reconciliation Statement- Details of Incomes not considered in cost accounts

Name of incomes not considered in cost accounts	Current Year (.....) Amount
(a) (specify the name of element of income not considered in cost accounts )	
(b) (specify the name of element of income not considered in cost accounts )	
(c) (specify the name of element of income not considered in cost accounts )	
(d) (specify the name of element of income not considered in cost accounts )	
(e) ....	
<b>End number of lines can be inserted to report the elements of incomes not</b>	



# The Institute of Cost Accountants of India

<i>considered in cost accounts</i>	
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The explanation for the above elements is as follows:

**Amount of incomes not considered in cost accounts** – Incomes which are ‘Abnormal’ in nature and ‘purely financial’ in nature is not considered in cost accounts to arrive at the costing Profit or Loss.

**Abnormal Income** means unexpected heavy income in the nature of windfalls, abnormal gains.

**Income purely financial in nature:** may be of the following nature:

- (i) Interest received on investment, deposits outside the business
- (ii) Dividends received on investment outside the business
- (iii) Profits on sale of capital assets and investment
- (iv) Fees received on transfer of shares
- (v) Gains on foreign exchange fluctuation
- (vi) Prior period income
- (vii) Trading Profit

Following are the elements as per taxonomy in respect of amount of expenses not considered in cost accounts as given in the link table are as follows:

<b>[200400b] Reconciliation statement-Details of expenses not considered</b>
<i>Reconciliation statement [abstract]</i>
<i>Details of expenses not considered in cost accounts [table]</i>
<i>Details of expenses not considered in cost accounts [axis]</i>
<i>Name of expenses not considered in cost accounts</i>
<i>Amount of expenses not considered in cost accounts</i>

The presentation or rendering of the above elements in table will be as follows:

**Reconciliation Statement- Details of Expenses not considered in cost accounts**

<b>Name of expenses not considered in cost accounts</b>	<b>Current Year (.....) Amount</b>
(a) (specify the name of element of expense not considered in cost accounts )	
(b) (specify the name of element of expense not considered in cost accounts)	



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(c) (specify the name of element of expense not considered in cost accounts )	
(d) (specify the name of element of expense not considered in cost accounts )	
(e) .... To n number	
<b><i>End number of lines can be inserted to report the elements of expenses not considered in cost accounts</i></b>	

The explanation for the above elements is as follows:

**Amount of expenses not considered in cost accounts** – Expenses which are ‘Abnormal’ in nature and ‘purely financial’ are not considered in cost accounts to arrive at the costing Profit or Loss.

**Abnormal Expenses** – Abnormal expenses may be:

- (i) Abnormally high rejections;
- (ii) Defective work, spoilages etc.;
- (iii) Losses due to theft, pilferage, or acts of nature like earthquake, flood fire;
- (iv) Abnormal idle time;
- (v) Abnormal under-utilisation of plant facilities;
- (vi) Losses due to abnormal situation like strikes, war, accidents etc.

**Expenses Purely Financial in nature:** may be of the following nature: for e.g. –

- (i) Loss on sale of capital assets and investments
- (ii) Stamp duty and expenses on issue and transfer of shares
- (iii) Discount on bonds and debentures
- (iv) Fines and Penalties
- (v) Loss on investments
- (vi) Loss on foreign exchange fluctuations
- (vii) Premium on forward contract
- (viii) Liquidated damages
- (ix) Short recovery of Excise
- (x) Bad Debts
- (xi) Donations



# The Institute of Cost Accountants of India

- (xii) Prior period expenses
- (xiii) Expenses on Buy Back of shares
- (xiv) Preliminary expenses written off
- (xv) Trading Loss
- (xvi) Reference also may be made to CAS & GACAP for specific items of this nature

**Note:** For understanding of Costing Taxonomy, the readers may refer to “*Architectural Guide, Training & Guidance Manual on filing of Cost Audit Report and Compliance Report in XBRL Format*” issued by the Institute of Cost Accountants of India.

#### **4.12 Access to cost records**

Since the cost accountant is required to authenticate Compliance Report after examining the books of account prescribed under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 read with the provisions of respective CARR, he shall have access of the cost records, books, papers, documents and other records maintained by the company, whether kept at the registered office of the company or at the manufacturing unit or Branch offices or any other office and he shall be having rights to seek all such information and explanations from the officers or agents of the company as he may think fit and necessary for issuance of compliance report.

#### **4.13 Penalty of non- compliance of Rules contained in Common-CARR and IS-CARR**

Sub rule (1) of Rule 8 of the Common- CARR and IS-CARR provides that where a cost accountant fails to comply with the provision of these rules, then he shall be punishable with fine, which may extend to five thousand rupees.

#### **4.14 Communication to the previous cost accountant in practice**

In view of provisions of clause (8) of the Part I of First Schedule of the Cost and Works Accountants Act, 1959, wherever a cost accountant in practice is assigned the work of compliance report, he is required to communicate with the previous cost accountant in practice before accepting the assignment as cost accountant otherwise he shall be deemed to be guilty of professional misconduct.

#### **Checklist for Issuance of Compliance Report in XBRL Format**

1. Check whether company maintains proper cost records, as per the relevant Cost Accounting Records Rules prescribed under clause (d) of sub-subsection 209 of the Companies Act, 1956;



## The Institute of Cost Accountants of India

2. Check whether the company has formulated the cost accounting policy and costing system which may enable to calculate per unit cost of production or cost of operation, cost of sales and margin for each of its products and activities groups under review;
3. Check whether the company has proper system of identification of cost centres, cost objects and cost drivers for each of product/ activity;
4. Check whether the company prepared detailed unit-wise and product or activity-wise cost statements and schedules thereto in respect of the product groups or activities of the company and after authentication and approval by the Board these are preserved and kept in the company;
5. Check whether Generally Accepted Cost Accounting Principles (GACAP) and Cost Accounting Standards (CAS) issued by the Institute of Cost Accountants of India have been complied with in preparation of the said books of account, cost statements and schedules thereto, to the extent these are found to be relevant and applicable;
6. Check whether a system of internal audit of cost records exists in the Company and is adequate commensurate to its nature and size of its business;
7. Check whether there is any material deficiency in complying the GACAP and CAS;
8. Check total quantities of production and sales in respect of each of Product Group or Activity Group;
9. Check net operational revenue values of each of the Product or Activity Group and Trading Activities;
10. Check the details of Other Incomes;
11. Check all items forming part of Reconciliation Statement;
12. Check whether all information/data as required under XBRL filing has been compiled with;
13. Before signing the Compliance Report, ensure that the Annexure to Compliance Report has been duly approved by the Board of Directors by means of Resolution.
14. Check before uploading the Compliance Report that the Instance Document of Compliance Report has been duly signed by Cost Accountant, Company Secretary and a Director of the Company.

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# The Institute of Cost Accountants of India

Annexure – 1

**General Circular No. 67/2011**

52/13/CAB-2011

Government of India

Ministry of Corporate Affairs

**Cost Audit Branch**

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'B-1' Wing, 2<sup>nd</sup> Floor,  
Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
New Delhi – 110 003

Dated the November 30, 2011

To,

The President,  
Institute of Cost and Works Accountants of India,  
12, Sudder Street,  
Kolkata – 700 016

**Subject: Cost Accounting Records and Cost Audit – clarifications about coverage of certain sectors thereunder.**

Sir,

Ministry has examined various issues raised by the companies and/or professionals in connection with the recently issued circulars/notifications concerning cost accounting records and coverage of cost audit. To remove doubts and ambiguities, the following clarifications are issued:

(a) That the Companies (Cost Accounting Records) Rules, 2011 are not applicable to:

- (i) Wholesale or retail trading activities.
- (ii) Banking, financial, leasing, investment, insurance, education, healthcare, tourism, travel, hospitality, recreation, transport services, business/professional consultancy, IT & IT enabled services, research & development, postal/courier



## The Institute of Cost Accountants of India

services, etc. unless any of these have been specifically covered under any other Cost Accounting Records Rules.

- (iii) Companies engaged in rendering job work operations or contracting/ sub-contracting activities, and are paid only the job work or conversion charges, such as tailoring, baking, repairing, painting, printing, constructing, servicing, etc.
  - (iv) Companies engaged in the production, processing, manufacturing or mining activities till such time they commences their commercial operations.
  - (v) Ancillary products/activities of companies incidental to their main operations (i.e. products/activities that do not constitute their main line of business) and wherein the total turnover from the sale of each such ancillary products/activities do not exceed 2% of the total turnover of the company or Rs.20 crores, whichever is lower. However, required details of all such ancillary products/activities may be maintained under a miscellaneous group and disclosed appropriately.
- (b) That the Cost Audit Orders [no. 52/26/CAB-2010 dated 2<sup>nd</sup> May 2011 and 30<sup>th</sup> June 2011] shall not apply to the following cases:
- (i) Generation of electricity for captive consumption. For this purpose, the term "Captive Generating Plant" shall have the same meaning as assigned in Rule 3 of the Electricity Rules, 2005.
  - (ii) Own manufactured products that are consumed exclusively by the company for the sole purpose of production, processing, manufacturing, or mining of its other products or activities that are subject to cost audit.
  - (iii) Hundred percent Export Oriented Units.
- (c) That only such items falling under the relevant chapter(s) of the Central Excise Tariff Act, 1985 as constitute intermediate or final or allied products of the industry mentioned in the Cost Audit Order dated 30<sup>th</sup> June 2011 shall be covered under cost audit and all other items not related to the industry shall be outside the purview of said orders.

For the purpose of these orders, the words "intermediate products" mean only such products that have already undergone partial manufacturing/ production process and are used as inputs for the production, processing, manufacturing or mining of the final products of the industries listed in the said order; the words "articles or allied products





## The Institute of Cost Accountants of India

thereof” refer to such articles or allied products that are produced either wholly or predominantly [not less than 50% by weight or volume] by using the listed products as their primary inputs.

To explain this aspect further, the following clarifications are given as illustrations:

- (i) For Paints & Varnish industry, all other items such as tanning or dyeing extracts, tanning & their derivatives, dyes, pigments & other colouring matters, putty & other mastics, printing inks, etc. mentioned in Chapter 32 of the Central Excise Tariff Act, 1985 are not covered unless such items are used as intermediates for the production of Paints & Varnishes or are produced as their allied products.
  - (ii) For Tyres & Tubes industry, all other items such as natural or synthetic or reclaimed rubber, compounded rubber, hard rubber, rubber thread or cord, conveyer or transmission belts, articles of rubber, etc. mentioned in Chapter 40 of the Central Excise Tariff Act, 1985 are not covered unless such items are used as intermediates for the production of Tyres & Tubes or are produced as their allied products.
  - (iii) Examples of intermediate products include clinker for cement, pulp for paper, sponge iron & pig iron for steel, etc. Examples of articles or allied products of cement include cement bricks, sleepers, pipes; of paper include cartons, boxes, bags, registers; and of steel include ingots, blooms, billets, slabs, beams, angles, tees, channels, pilings, rails, bars, wire, nails, plates, pipes, tubes, coils, sheets, etc.
2. In case of any doubt, companies are requested to refer their cases to this office for clarification by giving complete details. The Institute is requested to circulate this General Circular for information of all concerned.

Yours faithfully,

(B.B.Goyal)  
Adviser (Cost)



## The Institute of Cost Accountants of India

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Addl. Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (DR) / DII (Policy)
7. PS to Economic Adviser



# The Institute of Cost Accountants of India

Annexure – 2

**General Circular No. 8/2012**

52/17/CAB-2011

Government of India

Ministry of Corporate Affairs

**Cost Audit Branch**

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'B-1' Wing, 2<sup>nd</sup> Floor,  
Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
New Delhi – 110 003

Dated the May 10, 2012

To,

The President,  
Institute of Cost Accountants of India,  
12, Sudder Street,  
Kolkata – 700 016

**Subject: Filing of Cost Audit Report (Form-I) and Compliance Report (Form-A) in the eXtensible Business Reporting Language (XBRL) mode.**

Sir,

It has been decided by the Ministry of Corporate Affairs to mandate the cost auditors and the companies to file Cost Audit Reports (Form-I) and Compliance Reports (Form-A) for the year 2011-12 onwards (including the overdue reports relating to any previous year) by using the XBRL taxonomy. These reports, required to be filed in the XBRL format, would be based on the Taxonomy on XBRL being developed for the formats (Form-I & Form-A) given in the following Rules:

- (i) Companies (Cost Accounting Records) Rules, 2011
- (ii) Cost Accounting Records (Telecommunication Industry) Rules 2011
- (iii) Cost Accounting Records (Petroleum Industry) Rules 2011
- (iv) Cost Accounting Records (Electricity Industry) Rules 2011



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- (v) Cost Accounting Records (Sugar Industry) Rules 2011
- (vi) Cost Accounting Records (Fertilizer Industry) Rules 2011
- (vii) Cost Accounting Records (Pharmaceutical Industry) Rules 2011
- (viii) Companies (Cost Audit Report) Rules, 2011

2. Hence, all cost auditors and companies, which are liable to file Cost Audit Reports (Form-I) and Compliance Reports (Form-A), are requested to file their reports with the Central Government after 30<sup>th</sup> June, 2012 in the XBRL mode by which time the relevant taxonomy together with Form-I & Form-A in XBRL format is likely to be ready and notified.

3. The Institute is requested to circulate this General Circular for the information of all concerned.

(B.B.Goyal)

Adviser (Cost)

Tel: 011-24366005

Copy to:

- 8. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
- 9. All Regional Directors / Registrars of Companies
- 10. PS to CAM / PS to MOS
- 11. PS to Secretary / Special Secretary
- 12. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
- 13. PS to DII (DR) / DII (Policy)
- 14. PS to Economic Adviser



# The Institute of Cost Accountants of India

Annexure - 3

52/17/CAB-2011  
Government of India  
Ministry of Corporate Affairs  
**Cost Audit Branch**

\*\*\*\*\*

'B-1' Wing, 2<sup>nd</sup> Floor,  
Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
New Delhi – 110 003

Dated the June 29, 2012

To,

The President,  
Institute of Cost Accountants of India,  
12, Sudder Street,  
Kolkata – 700 016

**Subject: Filing of Cost Audit Report (Form-I) and Compliance Report (Form-A) in the eXtensible Business Reporting Language (XBRL) mode.**

Sir,

In continuation of MCA's General Circular No. 8/2012 dated 10<sup>th</sup> May, 2012, it has been decided that filing of Cost Audit Reports and Compliance Reports with the Central Government in the XBRL mode shall be allowed after 31<sup>st</sup> July, 2012. The Institute is requested to circulate this for the information of all concerned.

(B.B.Goyal)  
Adviser (Cost)  
Tel: 011-24366005

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.



## The Institute of Cost Accountants of India

2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Special Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (RC) / DII (UCN)
7. PS to Economic Adviser



# The Institute of Cost Accountants of India

Annexure – 4

**General Circular No. 18/2012**

52/17/CAB-2011  
Government of India  
Ministry of Corporate Affairs  
**Cost Audit Branch**

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'B-1' Wing, 2<sup>nd</sup> Floor,  
Paryavaran Bhawan,  
CGO Complex, Lodhi Road,  
New Delhi – 110 003

Dated the July 26, 2012

To,

The President,  
Institute of Cost Accountants of India,  
12, Sudder Street,  
Kolkata – 700 016

**Subject: Filing of Cost Audit Report and Compliance Report in the eXtensible Business Reporting Language (XBRL) mode.**

Sir,

Vide MCA's General Circular No. 8/2012 dated 10<sup>th</sup> May, 2012 [as amended on 29<sup>th</sup> June, 2012], it has already been mandated by the Ministry of Corporate Affairs that all cost auditors and the concerned companies shall file their Cost Audit Reports and Compliance Reports for the year 2011-12 onwards [including the overdue reports relating to any previous year(s)] only in the XBRL mode. For this purpose, the applicable taxonomy, business rules, validation tools, etc. and also the "Product Group" classification required for preparing the cost audit reports and compliance reports as per the notified Cost Accounting Records Rules, 2011 and Cost Audit Report Rules, 2011 are under preparation and would soon be made available by the Ministry. The actual date for enabling XBRL filing will be intimated separately.



## The Institute of Cost Accountants of India

2. It has now been decided by the Ministry that all cost auditors and the concerned companies will be allowed to file their Cost Audit Reports and Compliance Reports for the year 2011-12 [including the overdue reports relating to any previous year(s)] with the Central Government in the XBRL mode, without any penalty, upto 31<sup>st</sup> December, 2012.
3. The Institute is requested to circulate this for the information of all concerned.

(B.B.Goyal)  
Adviser (Cost)  
Tel: 011-24366005

Copy to:

1. E-Governance Cell, Ministry of Corporate Affairs, Shastri Bhavan, New Delhi with a request to upload this circular on the MCA's website.
2. All Regional Directors / Registrars of Companies
3. PS to CAM / PS to MOS
4. PS to Secretary / Special Secretary
5. PS to Joint Secretary (A) / Joint Secretary (R) / Joint Secretary (M)
6. PS to DII (RC) / DII (UCN)
7. PS to Economic Adviser