

Updates on Cost Rules

The following steps have been taken by the Institute in connection with matters relating to the Companies (Cost Records and Audit) Rules 2014, since the issuance of the Rules on 30th June, 2014.

1. In view of a number of confusions and ambiguities including conceptual & drafting errors in the notified Rules, we requested on 16th July, 2014 the Hon'ble Minister of Finance, who is also in-charge of Corporate Affairs, for review of the Rules. We also expressed our concern regarding the new Rules.
2. The Ministry of Corporate Affairs on 19th July, 2014 constituted an Expert Committee to examine issues relating to maintenance of cost records and cost audit including key operational matters like classes of companies / industries / sectors, threshold limits, inclusion / exclusion of products/industries, structure & manner of cost audit report etc. The Institute submitted its representation to the Expert Committee for their consideration highlighting the issues and observations and apprising them of the Genesis of Cost Accounting & Cost Audit, the Legal Provisions relating to Cost Accounting & Cost Audit Rules, International Practices and value addition through Cost Audit. The Institute also attended meetings with the members of the Committee and Industry Associations. It is understood that the Committee may submit its report by the end of this month.
3. In view of the constitution of the Expert Committee examining all the issues of the new Rules, on 21st July, 2014, the Institute requested the MCA to take necessary steps to make application of the New Rules after amendment / modification on the basis of the recommendation of the Expert Committee. The Institute further requested the MCA to suitably clarify/notify that the Cost Rules 2011 to continue.
4. The Institute also requested the MCA to reinstate Form 23C and Form 23D to allow companies to file appointment of cot auditors. The MCA has reinstated the same and has allowed necessary filing only for companies, whose financial year commenced before 1st April, 2014. As on date the MCA has clarified that Form CRA-2 (corresponding to Form 23C) would be made available soon and companies would be allowed to file the said Form without late fee/penalty upto 31st January, 2015 and companies who have already filed Form 23C for 2014-15 would not be required to file Form CRA-2 again.
5. We again submitted a comprehensive representation to MCA on 21st August 2014 to make the Cost Rules 2014 effective from financial year commencing on or after 1st January, 2015 or 1st April, 2015.

6. We held a meeting with Hon'ble Minister of State for Corporate Affairs and apprised her of all developments and submitted a representation in this regard on 12th September 2014. The Hon'ble Minister also assured us to consider our request.
7. We submitted a reminder to Secretary, MCA on 15th September 2014 to consider our request keeping in mind that the MCA has constituted an Expert Committee to review the Cost Rules 2014 and the report is still awaited. It is clear that the Cost Rules 2014 cannot be implemented in its present form due to inherent defects in it. Consequently, it is imperative that the MCA clarify that for companies whose financial year commences on 1st April, 2014, the Cost Rules 2011 shall apply.
8. On 5th November 2014, we met Secretary, MCA to again discuss the issue and submitted a reminder with an explanatory note to consider our request to postpone the implementation date.

(President, ICAI)

November 12, 2014