



WIRC BULLETIN

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Vol. 42 No. 7

Rs. 5/-

For Members only

July 2014

From the Desk of Chairman



Dear all Professional Colleagues and Seniors of Profession,

This is my last communication to all of you as Chairman of WIRC of ICAI. Of-course as a member of WIRC I will be in touch by all other means of communication as in the past. You can catch me via phone, text message, email etc any time you need. I am thankful to all my council colleagues for supporting me in activities undertaken by WIRC. I must mention special thanks to CMAs Neeraj Joshi, Amit Apte, Sanjay Bhargave, Vijay Joshi, Shrenik Shah for their support in smooth functioning of WIRC. Our Past Presidents in the region and from outside also supported me well this includes CMAs Dhananjay Joshi, V V Deodhar, P D Phadke, P S Nadkarni, V Kalyanraman, J K Puri and Chandra Wadhwa. Apart from these, our Editorial Team has also worked with full vigor throughout the year. Few members helped WIRC by going out of the way some times and I am thankful to them as well. It includes CMAs V C Kothari, G K Das, Vaibhav Joshi, Dr. N M Vechalekar, A Sekar, Chandrashekhar Joshi, Nayna Savla, Vinay Muley to name a few. I am thankful to all those known and unknown personalities who created brand ICAI this year. I am also thankful to all members who attended AGM on 29th June 2014. I must mention contribution of chapters in all activities of WIRC during this year. Past and Present Chapter Chairmen CMAs Madhuvanti Sathe, Vivek Bhalerao, N L Kuyate, P P Mohani, M B Kaka, Y S Thakar, S M Ramnath, Biswabandhu Mahapatra, R K Deodhar, Shilpa Parkhi, B N Sapkal, B F Modi, Pranav Joshi, Sunil Kumar, G B Shamnani, Neetu Kapoor and all other chapter representatives. Above all, co-operation from WIRC staff was a major factor for all activities throughout the year. This communication will be incomplete if I do not specially mention our Joint Director Shri K P Unnikrishnan towards his contribution.

We have lot of expectations from Railway Budget and General Budget 2014. Our profession has made lot of demands in last few years but all governments in the past have ignored them. We are hoping that we will be given due representation in Budget 2014. In our country till first week of July, monsoon is much less than average. Many private and government authorities have predicted drought if the same situation continues. This is alarming situation for country and I am sure at individual level also we will make efforts to fight such dramatic situation if arises. Economic survey published has specifically mentioned about good jobs and labor reforms are must for better economic days ahead. Let's hope government will fulfill some of these needs of economy.

Members

On the last day of June we received a black notification from MCA on Cost Audit. This notification is very similar to what we received at draft stage. Despite of thousands of responses and replies to MCA, no changes were

made. We will have to draw an action plan for the future and now to fight this unprecedented situation for the profession. I assure you that WIRC will take lead in fighting this situation. This time we should have out of the box thinking and out of the way to fight against these black rules. Cost Audit is a most effective mechanism and main tool developed by profession over the years. We must protect this mechanism and develop the same for betterment of Indian Economy. Compulsory Cost Audit is not a mechanism to give employment for CMAs it is for Indian Economy to prosper, control prices and profiteering. We have seen this how cost records/ audits can be helpful to government in Cement Case and Fiat Case etc. Even with such a small number of practitioners and only few companies in ambit of Cost Audit has helped government and consumers at large imagine its advantages at larger scale. Other than this mechanism we are not having any specialized tool in the hands of profession which will give reorganization to Cost and Management Accountants. If we consider that we can do all generalized job which others can also do then we are General Accountants and not Specialized Accountants.

This month we conducted CEPs on topics like DCF technique and Internal Audit. I am sure members must have benefitted from those topics.

Students

There are lot many initiatives taken for students in last year. This includes Student's Bulletin, Orientation Program, and Publication Drive etc. I must thank all students who gave all the support during my tenure as Chairman. I assure all students that even I am relinquishing my post this month; I will work in the interest of profession and in particular of students.

Other Institutions

I am thankful to all Institutions who gave support to WIRC during the year. Institutions includes MCA, RoC Mumbai, WIRC of ICAI (Chartered), WIRC of ICSI, RBI, Indian Merchant Chambers (IMC), SEBI, BSE, JBIMS and other Management Institutions etc.

New Initiatives

Whatever new initiatives taken during the year, I assure you that those will be continued in the future also. I will insist WIRC administration to continue with the same.

I will be failing in my duties if I do not thank my Family for their support. Throughout the year for any additional time required by profession, was borrowed from them. I have to return back that time in near future, that too with compounding interest!

My best wishes to students, members and their family to celebrate festivals during the month. Alvida, Good-Bye and Best Wishes!

With Warm Regards

CMA Ashish Thatte



Companies (CRA) Rules, 2014: A shock to CMA Profession

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1. INTRODUCTION:

Ministry of Corporate Affairs (MCA) has on 30th June 2014 issued COMPANIES (COST RECORDS AND AUDIT) RULES, 2014 in exercise of powers conferred to it under section 148 of the Companies Act, 2013. These rules will be applicable with effect from their publication in the Gazette of India in exchange of present rules which are issued by MCA in 2011 in the name of Cost Accounting Record Rules followed by Cost Audit Report Rules and ultimately followed by Cost Audit Orders in exercise of powers conferred to it under section 233B of the Companies Act 1956. There is a drastic shift made by MCA through a U turn in this “rules exchange event” which is likely to severely hurt interest of all the stakeholders of our great nation India. In this article an attempt has been made to undertake comparative analysis of salient features of both the present and proposed rules with respect to Cost Accounting Records & Cost Audit.

2. PRESENT STATUTORY PROVISIONS OF COST RECORDS AND COST AUDIT:-

2.1. A Bird's Eye-View of Present Provisions: - The Companies Act 1956 had the provision of Maintenance of Cost Accounting Records in accordance with Section 209(1) (d) of the Companies Act 1956 and there was also the provision of Cost Audit under section 233B of the Companies Act 1956.

Prior to 3rd June 2011, Cost Accounting Records Rules were notified specific to 44 Industries. After this date earlier 44 Industry specific Records Rules had been rescinded and only following industries specific Records Rules prevailed which are given below:-

- 2.1.1.** Cost Accounting Records (Pharmaceutical Industry) Rules, 2011
- 2.1.2.** Cost Accounting Records (Fertilizers Industry) Rules, 2011
- 2.1.3.** Cost Accounting Records (Sugar Industry) Rules, 2011
- 2.1.4.** Cost Accounting Records (Electricity Industry) Rules, 2011
- 2.1.5.** Cost Accounting Records (Petroleum Industry) Rules, 2011
- 2.1.6.** Cost Accounting Records (Telecommunications Industry) Rules, 2011

Other than above Industry specific Cost Accounting Record Rules, Companies (Cost Accounting Records) Rules, 2011 had been made mandatory to all the companies engaged in Production, Manufacturing, Processing and Mining subject to specified criteria. Companies (Cost Audit Report) Rules, 2011 had also been made applicable to all the companies who fall in applicability criteria irrespective of the Industry to which they belong.

2.2. Applicability of Cost Records, Cost Compliances and Cost Audit at Present:

Ministry of Corporate Affairs had made it mandatory for specified companies to maintain cost accounting records, compliance certification and cost audit in specific cases. A brief on mandatory requirement of Compliance certification and Cost Audit with its applicability criteria is given below:

2.2.1. Eligibility Criteria for Compliance Certificate at Present:

Every company including a foreign company engaged in manufacturing, processing, mining and production activities including Real Estate and Cold Storage, who fulfills following criteria:

- 2.2.1.1.** Aggregate value of Turnover \geq Rs.20 crores in immediate preceding financial year, or
- 2.2.1.2.** Aggregate value of Net Worth \geq Rs.5 crores as on last date of immediate preceding financial year, or
- 2.2.1.3.** Equity/Debt securities are listed or in process of listing in India or outside India

2.2.2. Compliance Requirement at Present:

- 2.2.2.1.** Maintenance of Cost Records in the prescribed format in accordance with the generally accepted cost accounting principles & practices and cost accounting standards issued by the Institute of Cost Accountants of India and relevant Cost Accounting Record Rules issued by Ministry of Corporate Affairs.
- 2.2.2.2.** Submission of compliance report duly certified by a cost accountant in form A in respect of each of its financial year commencing on or after 1st April, 2011 along with annexure to the Central Government in the prescribed form within

180 days from the close of the company's financial year to which the compliance report relates.

2.2.3. Eligibility Criteria for Cost Audit for Companies Subject to Generic Cost Accounting Record Rules at Present:

- It covers the companies engaged in the manufacturing, production or processing of the following products to which generic Cost Accounting Record Rules apply:-

Meat and Meat Products, Marine Products, Milk and Milk Products, Poultry and Related Products, Bee Products, Vegetables, Fruits and Nuts, Coffee and Coffee Products, Tea and Tea Products, Spices, Cereals, Flour and Product of Cereals, Oil Seeds and Products of Oil, Seeds, Other Seeds and Plants, Vegetable Saps or Products, Animal or Vegetable Fats and Oils, Sugar Confectionery or Chocolates, Cocoa Products, Prepared Food Products, Mineral Water and Aerated Drinks, Alcoholic Beverages, Lubricating Preparations, Waxes and Products Explosives Fireworks, Matches and Combustible Materials, Photographic and Cinematographic Goods, Insecticides Chemicals Plastics and Polymers, Articles of Plastics and Polymers, Rubber and Rubber Products, Rubber Tyres and Tubes Raw Hides, Skins and Leather, Leather Products, Wood and Wood Products, Pulp of Wood and other substances, Newsprint Paper and Paperboard, Articles of Paper and Paperboard, Silk, Silk Yarn, Silk Fabrics, Wool, Wool Yarn, Wool Fabrics, Cotton, Sewing Thread, Cotton Yarn, Cotton Fabrics, Other Textile Yarns or Fibers, Other Textile Fabrics, Synthetic Yarns or Fibers, Synthetic Fabrics Carpets and textile floor coverings, Other Textile Fabrics or Products, Knitted or Crocheted Fabrics, Apparel and Clothing, Furnishings, Footwear and Parts thereof, Headgear and Parts thereof, Articles of Stones, Plaster, Cement, Asbestos and Mica, Ceramic Products Glass and Glass Products, Pearls, Diamonds, Stones and Jewellery, Articles, Primary Ferrous Materials, Iron and Non Alloy Steel, Stainless Steel, Other Alloy or Non Alloy, Steel, Steel Products, Copper and Copper Products, Nickel and Nickel Products, Aluminum and Aluminum Products, Lead and Lead Products, Zinc and Zinc Products, Tin and Tin Products, Other Base Metals and their Products, Hand Tools, Nuclear Reactors and Accessories,

Boilers and Accessories, Engines or Motors and parts thereof, Machinery and Mechanical appliances, Electric Motors, Generators, Transformers and Parts thereof of Batteries and Accumulators, Electrical and Electronic Equipments or Appliances, Railway Rolling Stock, Parts of Railway Rolling Stock Railway Track Fixtures and Fittings, Containers, Commercial Vehicles (3 or more wheels), Passenger Vehicles (2, 3, 4 or more wheels) Parts and Accessories of Vehicles, Motorised Passenger Vehicles (2 or 3 Wheelers), Non Motorised, Non powered Aircraft and parts thereof, Aircraft, Spacecraft and parts thereof Parachutes and Rotocrafts, Ships and Boats, Floating Structures, Optical Equipments and parts thereof, Photographic or Cinematographic Equipment and parts thereof, Measuring Instruments and parts thereof, Surgical or Medical Instrument and parts thereof, Clocks or Watches and Parts thereof, Musical Instruments and Parts thereof, Medical or Vehicular or other Furniture and Mattress and parts thereof, Lights and Fittings, Prefabricated Buildings Toys, games and sports Equipments, Stationery Items and Miscellaneous manufactured articles.

Companies under these industries to meet the following criteria:-

2.2.3.1. Aggregate value of Turnover \geq Rs.100 crores in immediate preceding financial year, or

2.2.3.2. Equity/Debt securities are listed or in process of listing in India or outside India

2.2.4. Eligibility Criteria for Cost Audit of Companies Subject to Specific Cost Accounting Record Rules at Present: -

Pharmaceutical, Fertilizers, Sugar, Electricity, Petroleum, Telecommunication Companies, meeting following criteria: (It covers those specified Industries on which specific Cost Accounting Record Rules applies):

2.2.4.1. Aggregate value of Turnover \geq Rs.20 crores in immediate preceding financial year, or

2.2.4.2. Aggregate value of Net Worth \geq Rs.5 crores as on last date of immediate preceding financial year, or

2.2.4.3. Equity/Debt securities are listed or in process of listing in India or outside India

2.2.5. Other Requirements at Present:

2.2.5.1. Maintenance of Cost Records in the prescribed format in accordance with the

generally accepted cost accounting principles, cost accounting standards and issued by the Institute of Cost Accountants of India and relevant Cost Accounting Record Rules issued by Ministry of Corporate Affairs.

2.2.5.2. Appointment of cost auditor by the Board within 90 days from the commencement of the financial year for which cost audit is required to be performed through filling form 23C to central government.

2.2.5.3. Confirmation of appointment by cost auditor through filling form 23D to the central government.

2.2.5.4. Submission of cost audit report within 180 days to the MCA from the close of the relevant financial year in form I. Cost Audit report consists the following as per Form II:-

- General information
- Cost accounting policy
- Product group details (for the company as a whole)
- Quantitative information (for each product group separately)
- Abridged cost statement (for each product group separately)
- Operating ratio analysis (for each product group separately)
- Profit reconciliation (for the company as a whole)
- Value addition and distribution of earnings (for the company as a whole)
- Financial position and ratio analysis (for the company as a whole)
- Related party transactions (for the company as a whole)
- Reconciliation of indirect taxes (for the company as a whole)

2.3. After Effects of Present Rules:- Thus by covering almost all manufacturing companies under statutory requirement of maintenance of cost accounting records, cost accounting compliance report and cost audit to be performed by a qualified cost accountant, the Government was supposed to rest assured towards fulfilling the objective of protecting the interests of investors, consumers, tax payers and society at large. The objectives and reasons for ensuring that the companies keep proper cost accounting records were likely to be fulfilled by inculcating a culture of cost consciousness among industries for better resource management, to make the efficiency audit possible, and to make cost data available to the Government.

In the era of price control and administered interventions, attested cost structure had a major role to play and hence the cost audit emphasized on this aspect. In the changed economic environment the emphasis was supposed to shift to efficiency review. Further, in a market economy, regulators were supposed to frame right regulations in the interest of the industry as a whole and also in the interest of the consumers and other stakeholders. The restructured Cost audit report, supported by cost accounting standards, was likely to provide relevant and credible cost and revenue data to regulators to support their decisions. Moreover, cost audit report along with the performance appraisal report was believed to be most relevant report to the Board of Directors to strengthen its oversight function.

3. PROPOSED STATUTORY PROVISIONS OF COST RECORDS AND COST AUDIT:-

3.1. A Bird's Eye-View of Proposed Provisions:- The Companies Act 2013 has the provisions of Maintenance of Cost Accounting Records & Cost Audit in one common Section i.e. 148 of the Companies Act 2013.

Under the Companies (Cost Records & Audit) Rules 2014 all Industry specific cost accounting record rules have been rescinded. Further the set of rules is also common for two distinct activity i.e. maintenance of cost accounting records and conduction of cost audit. Companies (Cost Records & Audit) Rules 2014 have been made mandatory to handful of the companies out of a large number of companies engaged in Production, Manufacturing, Processing and Mining.

3.2. Applicability of Cost Records and Cost Audit as Proposed:- Ministry of Corporate Affairs had made it mandatory for specified companies to maintain cost accounting records and undergo cost audit of the same in specific cases. A brief on mandatory requirement of Cost Records Maintenance & Cost Audit with their applicability criteria is given below:

3.2.1. Eligibility Criteria for Companies Engaged in Strategic Sector as Proposed:- It covers the companies engaged in the production/provision of the following goods/services to which Companies (Cost Records & Audit) Rules 2014 apply:-

- Machinery, mechanical appliances used in defense, space and atomic energy sectors excluding any ancillary item or items.
- Turbo jets and turbo propellers;

- Arms and ammunition;
- Propellant powders; prepared explosives, (other than propellant powders); safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators;
- Radar apparatus, radio navigational aid apparatus and radio remote control apparatus;
- Tanks and other armoured fighting vehicles, motorised, whether or not fitted with weapons and parts of such vehicles, that are funded (investment made in the company) to the extent of 90% or more by the Government or Government Agencies; Companies under these sectors to meet either of the following criteria:-

3.2.1.1. Turnover of Company \geq Rs.500 crores for Cost Record as well as Audit,

or

3.2.1.2. Net Worth of Company \geq Rs.500 crores for Cost Record as well as Audit.

3.2.2. Eligibility Criteria for Companies Engaged in Regulated Sector as Proposed:- It covers the companies engaged in the production/provision of the following goods/services (the industry of which is regulated by a Sectoral Regulator or Ministry or Department of Central Government) to which Companies (Cost Records & Audit) Rules 2014 apply:-

- Port services of stevedoring, pilotage, hauling, mooring, re-mooring, hooking, measuring, loading and unloading services rendered by a Port in relation to a vessel or goods regulated by the Tariff Authority for Major Ports under Section 111 of the Major Port Trusts Act, 1963;
- Aeronautical services of air traffic management, aircraft operations, ground safety services, ground handling, cargo facilities and supplying fuel etc. rendered by airports and regulated by Airports Economic Regulatory Authority (“AERA” aeronautical) under the Airports Economic Regulatory Authority of India Act,
- Telecommunication services made available to users by means of any transmission or reception of signs, signals, writing, images and sounds or intelligence of any nature (other than broadcasting services) and regulated by the Telecom Regulatory Authority of India (“TRAI”) under the Telecom Regulatory Authority of India Act, 1997;
- Generation, transmission, distribution and supply of electricity regulated by the Central Electricity Regulatory Commission (“CERC”) under The Electricity Act, 2003, other than for captive generation (as defined under The Electricity Rules);

- Steel;
- Roads and other infrastructure projects;
- Drugs & Pharmaceuticals;
- Fertilisers
- Sugar and industrial alcohol; Petroleum products regulated by the Petroleum and Natural Gas Regulatory Board under the Petroleum and Natural Gas Regulatory Board Act, 2006
- Rubber and allied products being regulated by the Rubber Board.

Companies under these sectors to meet the following criteria subject to the provision that the requirements of Sectoral Regulator regarding cost records and cost audit shall be taken into account:-

3.2.2.1. Turnover from any of the above mentioned product \geq Rs.50 crores for Record & 100 crores for Audit, or

3.2.2.2. If the company is engaged in only one of the above mentioned product/service then alternate criteria is applicable i.e. Net Worth \geq Rs.150 crores for Record & 500 crore for Audit or Turnover \geq Rs.25 crores for Record & 100 crore for Audit.

3.2.3. Eligibility Criteria for Companies Engaged in Areas Involving Public Interest as Proposed:- It covers the companies engaged in the production/provision of the following goods/services to which Companies (Cost Records & Audit) Rules 2014 apply:-

- Railway or Tramway locomotives, rolling stock, railway or tramway fixtures and fittings, mechanical (including electro mechanical) traffic signaling equipment’s of all kind
- Mineral products;
- Ores;
- Mineral Fuels (Other than Petroleum), mineral oils etc.;
- Base Metals;
- Inorganic chemicals, organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes and Organic Chemicals;
- Jute and Jute Products;
- Edible Oil under Administrative Price Mechanism;
- Construction Industry;
- Health services viz. functioning as or running hospitals, diagnostic centres, clinical centres or test laboratories;
- Companies engaged in education services, other than such similar services falling under philanthropy or as part of social spend which do not form part of any business.

Companies under these sectors to meet the following criteria:-

3.2.3.1. Turnover from any of the above mentioned product \geq Rs.50 crores for Record & 100 crores for Audit, or

3.2.3.2. If the company is engaged in only one of the above mentioned product/service then alternate criteria is applicable i.e. Net Worth \geq Rs.150 crores for Record & 500 crore for Audit or Turnover \geq Rs.25 crores for Record & 100 crore for Audit.

3.2.4. Eligibility Criteria for Companies Engaged in Business of Medical Devices as Proposed:-

It covers Companies (including foreign companies other than those having only liaison offices) engaged in the production, import and supply or trading of following medical devices to which Companies (Cost Records & Audit) Rules 2014 apply:-

- Cardiac Stents;
- Drug Eluting Stents;
- Catheters;
- Intra Ocular Lenses;
- Bone Cements;
- Heart Valves;
- Orthopaedic Implants;
- Internal Prosthetic Replacements;
- Scalp Vein Set;
- Deep Brain Stimulator;
- Ventricular peripheral Shud;
- Spinal Implants;
- Automatic Impalpable Cardiac Deflobillator;
- Pacemaker temporary and permanent;
- Patent ductus arteriosus, atrial septal defect and ventricular septal defect closure device;
- Cardiac Re-synchronize Therapy;
- Urethra Spinicture Devices;
- Sling male or female;
- Prostate occlusion device; and
- Urethral Stents.

Companies under these sectors to meet the following criteria:-

3.2.4.1. Turnover from any of the above mentioned product \geq Rs.10 crores or 1/3 of Total Turnover for Cost Record as well as for Audit, or

3.2.4.2. If the company is engaged in only one of the above mentioned product/service then alternate criteria is applicable i.e. Aggregate value of Net Worth \geq Rs.150 crores for Cost Record & 500 crore for Audit or Turnover \geq Rs.25 crores for Cost Record & 100 crore for Audit.

3.2.5. Exemption Criteria for Companies otherwise falling in applicability criteria:-

3.2.5.1. Operating in Special Economic Zone; or

3.2.5.2. Revenue in Foreign Exchange from Exports Exceeds 75% of the total Revenue

3.2.6. Other Requirements as Proposed:

3.2.6.1. Maintenance of Cost Records in form CRA-1 which consists particulars relating to the following items:-

- Input material(s)/service(s)
- Salaries and wages
- Utilities
- Service department expenses
- Repairs and maintenance
- Fixed assets, depreciation and lease charges
- Overheads
- Royalty and technical know-how fee
- Research and development expenses
- Quality control
- Work-in-progress and finished stock
- Captive consumption
- By-products
- Joint products/services
- Packing expenses
- Interest and other borrowing costs
- Expenses or incentives on exports
- Pollution control
- Production records
- Sales records
- Any other item of cost
- Adjustment of cost variances
- Cost statements
- Reconciliation of cost and financial accounts
- Statistical records
- Records of physical verification
- Related party transactions

3.2.6.2. Appointment of cost auditor by the Board and intimation to the central government in form CRA-2 within 30 days of relevant board meeting or 180 days from the commencement of the relevant financial year whichever is earlier.

3.2.6.3. Submission of cost audit report within 180 days to the Board from the close of the financial year for which cost audit is required to be performed in form CRA-3 which consists the following paras:-

- General information
- Cost accounting policy
- Process of manufacture of good(s)/delivery of service(s)
- Good(s)/service(s) details (for the company as a whole)
- Quantitative information for each good(s)/service(s) separately

- Details of the major input materials/service used for good(s) manufactured/service(s) rendered under reference.
- Standard/ actual consumption of input material(s)/service(s) per unit
- Break-up of cost of input material(s)/service(s) imported during the year
- Utilities
- Salaries and wages – for the good(s)/service(s) covered
- Repairs and maintenance
- Net fixed assets and depreciation (for the company as a whole)
- Net block, depreciation and lease rent (for good(s)/service(s) covered)
- Overheads
- Research and development expenses
- Royalty and technical know how charges
- Abnormal/non-recurring cost
- Non-moving stock (good-wise/service-wise details of non-moving stock may be provided)
- Written off stock /forfeited services (good-wise/service-wise details may be provided)
- Inventory valuation (at the end of the year)
- Sales/revenue of the good(s)/service(s) covered
- Margin per unit of output/service rendered
- Related party transaction
- Central excise/service tax reconciliation for the good(s)/service(s) under reference
- Profit reconciliation
- Cost statement (for each good(s)/service(s) separately)

3.2.6.4. Submission of cost audit report within by the company to the central government in form CRA-4 within 30 days of its receipt from cost auditor.

3.3. After Effects of Proposed Rules: - Many members of our esteemed institute believe that release of these rules is a back door attempt to abolish need of maintaining cost accounting records. Some of the points of comparison between above mentioned present and proposed provisions which make this belief more strong are put herein under:-

3.3.1. Single Rule for Records & Audit: - Generally the record maintenance criteria covers wider number of entities and audit criteria covers bigger players out of those already covered in record maintenance criteria. These rules exhibit a rarely found characteristic of any legal rule made anywhere in the world that the applicability criteria for audit and record

maintenance is same in case of companies engaged in strategic or medical devices sector.

3.3.2. Innovative Meaning of Turnover: - Generally turnover is supposed to be gross operational income. These rules innovated turnover to be known as gross income from a single product. Now in most of the cases it will be very difficult to bring any company under the applicability criteria of turnover.

3.3.3. Omission of Listing Criteria: These rules have not paid any attention to the listing status of the company while defining applicability criteria. It is an open relaxation to loot hard earned money of common investor.

3.3.4. Omission of Products: - Many Products covered under present rules are proposed to be left out. This will result in narrowing the applicability net itself. It is seldom found that classes of auditees are narrowed rather than broadened.

3.3.5. Cancerous Growth in Net-worth/ Turnover Criteria: - It happens only in India. Till the rules were released the Net-worth Criteria was Rs. 5 Crore and now it is raised up to Rs. 500 Crore. Similarly turnover criteria was Rs. 20 Crore but now it is raised up to Rs. 500 Crore in many cases. This condition is an open mockery of Expert Group Recommendations.

3.3.6. Requirement of Regulator:- The rules on one hand provides for applicability criteria for companies under control of sectoral regulator on the other hand they mention that requirement of sectoral regulator regarding cost records and cost audit shall be taken into account. This means the applicability will be in force only when regulator wants.

3.3.7. Appointment within 180 Days:- Usually an early appointment of auditor is helpful in designing appropriate audit program. However the draft rules extended the limit to 180 days from present norms of 90 days for appointment of auditor.

3.3.8. Untouchability with GACAPP & CAS :- There is even no mention at all in these rules of Generally Accepted Cost Accounting Principles & Practices and Cost Accounting Standards issued by The Institute of Cost Accountants of India after decades of research

3.3.9. Regression: - These rules once again insist on edge old, complicated and obsolete formats for cost accounting records and cost audit report and ignores very well researched simplified formats for cost accounting records and 11 point cost audit report as recommended by expert group and adopted by existing rules.

3.3.10. Ambiguities: - These rules leave ambiguities in various areas. For example meaning of a product when turnover count is done and when costing is done will be what? Likewise what is public interest? Further whether trading of medical devices also requires cost record maintenance? Moreover whether the use

of the phrase ‘such as’ makes the applicability criteria an inclusive one?

4. CONCLUSION: - The Companies (Cost Records & Audit) Rules 2014 if published in the gazette will be classic example of a shock to profession because limit of its coverage net tends to zero. In the interest of Indian Economy, Consumers, Regulatory Authorities, Industry and Society at Large, as a citizen of this great nation, we must demand the Anti Audit and Compliance these Rules to be rolled back immediately and present rules should be retained.

Disclaimer: This article is written purely with knowledge dissemination purpose and is based on Companies Act and Rules made there under. The author does not own any responsibility for any error or omission which might have crept in this article inadvertently. ■

CEP REPORT – JUNE 2014

WIRC had organized 3 CEPs during month of June.

On 19th June 2014, WIRC had organized CEP on DCF Valuation at WIRC Hall, Rohit Chambers, Mumbai. Speaker was CA Sushrut Chitale.

During his lecture, he dealt with

- Requirement of DCF Valuation
- Use of DCF Valuation - SEBI, M&A, Income Tax
- Method, and
- Advantages vs Limitation of DCF

On 24th & 26th June 2014, WIRC organized CEP on Internal Audit at Mulund College & WIRC Office Hall respectively. CMA Vinay Mulay was the speaker for the programme.

He dealt with

- Requirement of Internal Audit
- What is Internal Audit
- Role of Internal Auditor
- Expectations of various stakeholders
- Scope of Internal Audit
- Exclusion
- Methods, Principles and Practices
- Reporting
- Review and Corrective Actions
- Few Suggestive Internal Audits – BPR, Finance & Accounts, Supply Chain and HR

Many practicing members participated in the programmes and appreciated the same.



Community Assets... Senior Cost Accountants to Build.

Indraneel Sen Gupta

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In continuation to my previous article on **Invisible capital... For Cost Practicing** Community assets are the values and power which are being created through synergy of knowledge and Age. Cost Accountants are currently reeling under the pressure from all professional angles. In these situation its better to create community values by joining hands with young practicing members and indulging them with new ventures of exploring business opportunities for the practicing and for the members.

The biggest benefit of this would be the profession itself. I know that many members or rather most of the members would come with the view that why one should share his business secretes with another young inexperienced fellow. Well you help him and guide to explore the world opportunities rather than sharing your business profiles. Its like enhancing the business opportunities with the deployment of human capital and social capital which creates community assets in the forms of strengthening the profession of cost accountants. Senior cost accountants should come with legal enforcement with young practicing members. The professional development should be like a society which is acting in small parts to develop the profession which is the civilization. Senior Cost Accountants must understand that cultivating practicing is the key for the growth of the profession and not employment.

In my research I have found that the prime factor behind holding back not to get associated with young practicing member is the blind practice of mutual trusting which often might lead to a loss of business. Hence its prudent to get into a legal binding where data protection is legally protected so that joining hands should turn out to be productive. We don't need more practicing members, we need better trained entrepreneurs. We do not lack the entrepreneurial vigor and creativity in this country; it's abundant. But, the ones that have the greatest energy and orientation to pursue full time entrepreneurship are not properly prepared. And unfortunately, that is particularly more likely the case for entrepreneurs who do not hail from broadly privileged backgrounds.

The senior members should promote practicing since the development and recognition of a profession is not dependent on the jobs market. The more practicing members come and open up the new areas of operation the more space of operation increases. We need to come out from the traditional practicing areas and become competent to thrive internationally. Unless we think big

we can't create difference. In my previous article I told that attitude is the key changer. I repeat the same here for the senior cost accountants that we need change in our attitude. It being found that before we qualify we develop a attitude that we will go for service. The reason behind is that lack of proper guidance and support of the experienced people in the system.

Today all these senior and mid level practicing cost accountants are working hard to survive their profession making efforts to reach out to others with these values. But I am deeply dejected at heart to say that we are not doing it with proper mechanism. We need to understand that we need team work to grow the business. As a young practicing fellow or rather an entrepreneur I find that we possess all the equipments like proper team structure, good personnel, a strong vision for the future, and an appetite for risk taking but we miss the fire. The fire is nothing but process for converting the raw materials of innovation into real-world breakthrough successes. This is the area where the senior practicing members can come together with the young practicing members to build the community assets for the profession. ■

WIRC, Mumbai Oral Coaching Classes July-December 2014 Batch inaugurated on 1st July 2014

The following learning centers of WIRC were inaugurated on 1st July 2014

Name of the Learning Centre	Inaugurated by
Sydenham College, Churchgate	CMA Debasish Mitra
N. M. College, Vile Parle (W)	CMA Sanket Ganatra
St. Francis Institute of Management and Research, Borivali (W)	CMA Prema Shekar
R. J. College, Ghatkopar, (W)	Mr. Rajkumar Jaiswal
Mulund College, Mulund (W)	CMA D.G. Chaudhary

CHAPTER NEWS

AURANGABAD

Career Guidance, Inauguration of Oral Coaching and Felicitation function for successful students organized by Aurangabad Chapter of ICAI

In the Dec-2013 Examination, Total 91 students passed (Foundation Course 17, Intermediate 41 & Final -23 students).

To celebrate this achievement & to boost moral of the students, a felicitation function was organized by Aurangabad Chapter of ICAI. Mr. Munish Sharma (Director General MIT, Aurangabad) was the Chief Guest and Mr Sanjeev Shelar (Consulting Structural Engineer, USA) was Guest of Honour.

Inauguration function of Oral Coaching of current session was inaugurated by the auspicious hands of the guest by lightning the lamps & Saraswati Vandana by Intermediate student Miss Bhakti Dandwate.

CMA Pravin Mohani, Chairman of the Chapter welcomed the Guests and briefly narrated the activities of the Chapter. CMA Mohani guided the students & parents and also narrated the scope of the CMA Profession, opportunities available for fresh CMAs and focused on the sun rise areas in CMA profession. He also spoke about the likely opportunities that would be available for CMA professionals in Aurangabad after completion of proposed DMIC Project.

CMA Sunilkumar Maniyar introduced the Guests to audience and CMAA. R. Joshi, Ex. Chairman of Training Committee briefed about the achievements of the training committee & given the tips to students for completion of CMA Course.

Chief Guest Mr. Munish Sharma stated that, secret of success is our own mistakes, we should learn from the mistakes which we had made & develop our personality so that we can face the big challenges in life as also in the profession. He also stated that students should not choose any short cut; there is no short cut for Success. He appealed the students to focus on their objectives first for getting success in professional examination and avoid any assumptions in personal as well as professional life for development of the personality.

Guest of Honour Mr. Sanjeev Shelar also guided to students. He stated that everyone has got potential for becoming successful in life; just one has to find the same by way of self analysis. He appealed to students to plan their studies and work hard to achieve success.

Mr. Vasant Tondwalkar, Miss Preeti Wamne & Miss Bhakti Dandwate co-ordinated the programme and CMA Vaibhav Argade proposed a vote of thanks.

Managing Committee Members CMA Someshwar Aasawa, CMA R.S. Deshmukh and CMA N.L. Kuyate, and Senior

Members of the Chapter CMA M.R. Pandit, CMA S.R. Pimple, CMA R.G. Modani, CMA S.P. Bhangale, CMA R.P. Gore and CMA Ashish Devdhe were also present for the programme.

The programme was attended by a large number of students & their parents.

NAVI MUMBAI CHAPTER

Navi Mumbai Chapter had organized a Continuing Education Programme on 15th June 2014 on “Indian Debt Market”. Mr. Arvind Konar – Head Fixed Income Division, Almondz Global Securities Ltd had made the presentation. Mr. Sapkal – Chairman of the chapter introduced the speaker. Mr. Konar elaborately discussed the current scenario of the Indian Debt Market and it’s various jargons. He also discussed on “YTM” i.e “Yield to Maturity” and articulated the “Yield Curve”. In the question answer session he also discussed in details about different terms i.e CRR, SLR, Repo and Reverse Repo. Large number of members and students were participated the programme. The session was very much interactive. Members particularly from financial market had appreciated the initiative taken by the chapter to organize such an unique programme. Mr. Naryanswami – Vice Chairman of the chapter proposed vote of thanks.

PIMPRI-CHINCHWAD-AKURDI

CEP SEMINAR ON “KEY ASPECTS OF PROJECT ACCOUNTING (CONSTRUCTION CONTRACTS) UNDER AS 7”

The Pimpri-Chinchwad-Akurdi Chapter of the ICAI had organized seminar on - “Key aspects of Project Accounting (Construction Contracts) under AS 7” on May 19th 2014, at Chapter Office, Akurdi.

On occasion of Foundation Day of Institute, PCA Chapter had arranged a CEP seminar on Key aspects of Project accounting. CMA Mahindra Bhombe, Jt. Secretary gave welcome speech and gave the audience a brief information on Foundation Day. The guest speaker was CMA Satish Thombre, General Manager, - Finance, Thermax Ltd. CMA Ashish Deshmukh, Vice Chairman, PCA Chapter welcomed CMA Thombre by presenting him a bouquet and memento.

In the Technical session, CMA Thombre covered various aspects of Project accounting, key issues in project accounting, cost and progress review process, accounting checks carried out as part of book close process etc.

The session was well attended by members in practice and from industry. After the technical session, CMA Mahindra Bhombe, Jt. Secretary - PCA Chapter gave vote of thanks.

Glimpses of Members Meet held at WIRC Hall, Fort and Kohinoor Hall, Dadar on 4-7-2014





CMA Pravin Mohani guiding the students during inauguration of oral coaching classes organized by the Aurangabad Chapter. Also seen CMA Vaibhav Argade, CMA Sunilkumar Maniyar, Mr. Sanjeev Shelar, Mr. Munish Sharma and CMA Arun Joshi



CMA Mahindra Bhombe, Jt. Sec. - PCA and Speaker CMA Satish Thombre during seminar organised by Pimpri-Chinchwad-Akurdi Chapter of Cost Accountants on 19th May 2014.



View of Audience during seminar organised by Pimpri-Chinchwad-Akurdi Chapter of Cost Accountants on 19th May 2014.



WIRC members CMA Amit Apte – CCM, CMA Neeraj Joshi – Vice Chairman, WIRC, CMA Sham Wagh – MC member of PCCA & CMA Narhar Nimkar – MC Member of PCCA met Hon. Prakash Javadekar ji, Minister of State- I&B, Environment, Forest and Climate Change & Parliamentary Affairs Government of India on Sunday, 6th July 2014, to brief him about the developments in the area of Cost Records and Cost Audit Rules. The members submitted a brief representation to the Hon. Minister of GOI. They also requested Hon. Javadekar ji to help them pursue this matter with Hon. Minister of MCA and support demands of ICAI.



To

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