General Circular No. 68/2011

52/13/CAB-2011
Government of India
Ministry of Corporate Affairs
Cost Audit Branch
*****

'B-1' Wing, 2nd 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 regarding applicability and compliance requirements.

Sir,

In connection with the recently issued circulars/notifications concerning cost accounting records and cost audit, following clarifications are issued:

(a) 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.

(b) That for companies coming under the purview of the Companies (Cost Accounting Records) Rules, 2011 and the Companies (Cost Audit Report) Rules, 2011 for the first time, cost records and cost details, statements, schedules, etc. shall be kept in good order for the next eight financial years beginning with first year of application of the said Rules.

(c) That the term "Turnover" defined in the Companies (Cost Accounting Records) Rules, 2011 shall exclude taxes & duties. It shall have the same meaning, wherever it appears, in all other orders/rules issued in connection with the cost accounting records and cost audit.

(d) That for filing the cost audit reports under the Companies (Cost Audit Report) Rules, 2011, following procedure may be followed:

(i) If only one product of a company is subject to cost audit and the company appoints more than one cost auditor, only a consolidated cost audit report [containing inter alia the qualifications, reservations or suggestions if any given by all the cost auditors] should be prepared

as per the Companies (Cost Audit Report) Rules, 2011 and signed by all the cost auditors.

For this purpose, company may designate/appoint any one of them as the principal/lead cost auditors who would be responsible for the consolidation and filing the same with the Central Government.

(ii) If more than one products of a company are under cost audit for which it has appointed either same or separate cost auditors, then they may either submit separate cost audit report for each product group or submit only one consolidated report containing details of each product group under audit separately as per the procedure provided above.

(e) That in the General Circular no. 15/2011 dated 11th April 2011 regarding appointment of cost auditors by companies, it was provided that the Audit Committee shall obtain a certificate from the cost auditor certifying his/its independence and 'arm's length relationship' with the company. In order that 'arm's length relationship' is in fact ensured, it may be noted that cost auditor(s) appointed under section 233B(2) of the Companies Act, 1956 [whether for one or all of the company's products covered under cost audit], shall not provide any other services to the company relating to (i) design and implementation of cost accounting system; or (ii) the maintenance of cost accounting records, or (iii) act as internal auditor, whether acting individually, or through the same firm or through other group firms where he or any partner has any common interest. It is however clarified that the cost auditors are allowed to certify the compliance report or provide any other services as may be assigned by the company, but which shall not include any of the services mentioned above.

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

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)

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

FORM-B

FORM OF COMPLIANCE REPORT

[See rule 2, and rule 5]

I/We ..... being in permanent employment of the company / in practice, and having been appointed as cost accountant under Rule 5 of the Companies (Cost Accounting Records) Rules, 2011 of ..... *(mention name of the company)* having its registered office at ..... *(mention registered office address of the company)* (hereinafter referred to as the company), have examined the books of account prescribed under clause (d) of sub-section (1) of section 209 of the said Act, and other relevant records for the period/year ..... *(mention the financial year)* and certify as under:

1 I/We have/have not obtained all the information and explanations, which to the best of my/our knowledge and belief were necessary for the purpose of this compliance report.

2 In my/our opinion, proper cost records, as per Companies (Cost Accounting Records) Rules, 2011 prescribed under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, have/have not been maintained by the company so as to give a true and fair view of the cost of production/operation, cost of sales and margin of all the products/activities of the company.

3 Detailed unit-wise and product/activity-wise cost statements and schedules thereto in respect of the product groups/activities are/are not kept in the company.

4 In my/our opinion, the said books and records give/do not give the information required by the Companies Act, 1956 in the manner so required.

5 In my/our opinion, the said books and records are/are not in conformity with the generally accepted cost accounting principles and cost accounting standards issued by The Institute of Cost and Works Accountants of India, to the extent these are found to be relevant and applicable.

Dated: this ____ day of _____ 20__ at _____ (*mention name of place of signing this report*)

SIGNATURE & SEAL OF THE COST ACCOUNTANT (S)
MEMBERSHIP NUMBER (S)

NOTES:

(i) Delete words not applicable.

(ii) If as a result of the examination of the books of account, the cost accountant desires to point out any material deficiency or give a qualified report, he shall indicate the same against the relevant para.

(iii) Briefly give your observations and suggestions, if any, relevant to the maintenance of cost accounting records by the company.

(iv) Cost accountant may use separate sheet(s) for (ii) and (iii) above, if required.

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ANNEXURE TO THE COMPLIANCE REPORT

[See rule 2 and rule 5]

1. GENERAL:

a) Name of the company:

b) Registered office address:

c) Financial year to which the Compliance Report relates.

2. QUANTITATIVE INFORMATION:

Sno.	Name of the Product / Service Group	Unit	Annual Production (Qty.)	Net Sales	
				(Qty.)	(Value in Rupees)
A	Produced / Manufactured Product Groups				
	1.				
	2.				
	3. etc.				
B	Services Groups				
	1.				
	2.				
	3. etc.				
C	Trading Activities (Product Group-wise)				
	1.				
	2.				
	3. etc.				
D	Other Income				
Total Income as per Financial Accounts					

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3. RECONCILIATION STATEMENT:

Net Margin (Profit/Loss) as per Cost Accounts	)
A. From Produced / Manufactured Product Groups	
B. From Services Groups	
C. From Trading Activities	
Total as per Cost Accounts	
Add: Incomes not considered in Cost Accounts (if any)	
Less: Expenses not considered in Cost Accounts (if any)	
Add/Less: Difference in Stock Valuation	
Profit/(Loss) as per Financial Accounts	

NOTES:

(i) For produced/manufactured product groups, use the nomenclature as used in the Central Excise Act/Rules, as applicable.

(ii) For services groups, use the nomenclature as used in the Finance Act/Central Service Tax Rules, as applicable.

SIGNATURE
NAME
COST ACCOUNTANT (S)
MEMBERSHIP NUMBER (S)
SEAL and DATE