

**Summary of points discussed in the meeting of Council Members with the Secretary, MCA on 2<sup>nd</sup> July 2014**

The Council Members of the Institute led by the president had a meeting with the Secretary and Officials of MCA on 2<sup>nd</sup> July 2014. The Council expressed its deep concern on the issues pertaining to the inclusion/ exclusion the coverage of different sectors and industries grouped under the four broad categories as per the Companies (Cost Records and Audit) Rules, 2014 which does not seem to be rationale and hence likely to lead to several interpretations issues and confusion.

The Council pointed out those certain key sectors which are very important and consuming huge natural resources has been excluded do not find a direct mention, whereas defence industries which were exempt under the earlier rules under the grounds of national security have been included . Trading which is not under the purview of sec 148 of The Companies Act, 2013 has been included in these rules. The members of the Council expressed the concern that these anomalies could have been avoided had the Institute been taken in to confidence before releasing the Rules. The Council has mentioned about the key points of the suggestions to the draft Rules and various presentations made to the MCA since several months.

The Council pointed out that the scope of Section 148 (1) should be wider than that of Section 148 (2) of the Companies Act, 2013. Earlier all companies above prescribed limit were required to maintain cost records and submit compliance. The new rules do not provide maintenance of cost records by class of companies other than included in rules as prevalent in prior to 2011 ( Rule based) diverting from principle based maintenance of cost records ( CAS) as per needs of the industry. The compliance report by Cost Accountants is also required to ensure assurance to the stakeholders on the proper use of the natural/national resources by the business and industry.

The Council further pointed out that a very important and landmark achievement of the country, i.e. "Cost Accounting Standards" developed by the Institute, mandated by MCA in the 2011 Rules and acknowledged by the IFAC and adopted by some of the SAARC Countries is completely ignored in the rules. The role of the Institute as a regulator of the CMA Profession has to primarily focus on the development/ adherence to the Cost Accounting Standards and Cost Auditing Standards in order to maintain uniformity in maintenance of Records by the industry and reporting by the members.

The Council also pointed out on the unexpected shift from a well thought out "Principle based" record maintenance and reporting to the "Rule based" reporting which was prevailing much earlier to the reforms introduced by MCA in 2011 to address the needs of the Industry. The formats which were condensed to 11 paras as per industry requirements to save cost and time have been expanded to 24 paras some of which are not relevant for reporting.

It was also pointed out that the formats and report prescribed under the new Rules will need development of new "Costing Taxonomy" and "XBRL reporting process". The Costing Taxonomy has already been built into the IT systems of many Companies and it will lead to additional cost to the Companies, Professionals as well as MCA, if the existing system is discarded.

The removal of the "Product Group Classification" as per existing rules linked to Central Excise codes will create major problems in identification of products under audit, and MCA will have to come out with various notifications on a regular basis. The restoration of the "Product Group Classification"

will resolve the issues and address the concern of Industry as to confidentiality and revenue authorities.

The Council also pointed out that the inclusion of two new sectors does not fulfill the requirements as healthcare and education sectors are dominated by trusts and societies.

The Council reiterated that the reduced scope of maintenance of cost records, Assurance (cost audit) and compliance created threat to the existence of the Institute and will fail to safeguard the interest of the economy and the common man. The Council demanded restoration of Cost Accounting Records Rules and Cost Audit Rules 2011.

The officials of the MCA have carefully taken note of the views/submissions by the Institute and have assured appropriate consideration to remove the procedural anomalies and address the issues raised by the institute.

**President  
ICAI**