

Date: 07.12.2013

To,

Sh. Sachin Pilot,  
Minister of State (I/C),  
Ministry of Corporate Affairs,  
Government of India

Subject: Sudden reversal in policy stance and adverse impact of the Draft Companies (Cost Records and Cost Audit) Rules, 2013 under The Companies Act, 2013, notified by the Ministry of Corporate Affairs on 21st November, 2013.

Dear Sir,

The Ministry of Corporate Affairs (MCA) hosted the Draft Companies (Cost Records and Cost Audit) Rules, 2013 under The Companies Act, 2013, on the website of the MCA for public comments. The Rules will be finalized after due consideration of the comments to be received by the MCA during the exposure of the Draft Rules.

The new Cost Audit Draft Rules, under the Companies Act, 2013, envisage that the threshold limit for coverage under Cost Record and Cost Audit Rules to be increased:

- The net worth threshold limit to be increased from Rs. 5 crore to Rs. 500 crore
- The turnover threshold limit to be increased from Rs. 20 crore to Rs. 100 crore

In addition, the earlier rules while deciding the threshold in terms of turnover, took into consideration the aggregate turnover of all products manufactured by the company. But now with the new Rules setting in, the turnover of the specific product will be considered. Needless to say, allocating the turnover to individual products will become quite difficult and this methodology will result in excluding the medium size companies.

Finally, the number of industries being covered has been reduced significantly from those that were covered even before the issue of Notifications in 2011 & 2012.

These draft Rules indicate a sharp reversal of policy stance that has evolved and matured since 1956, and can very well end up disturbing the stabilized policy stance:

- In 2011, in recognition of the benefit of judicious cost accounting practices to industry, government, regulatory bodies and end-consumer and the cost accounting maturity level, a larger set of companies was brought under the ambit of cost accounting.

- This 2011 notification of Rules was a result of recommendations of an Expert Group constituted by the MCA and through a larger consultative process.

- The Parliamentary Committee and the government recognized the importance of Cost Record and Cost Audit Rules. Therefore the government incorporated a provision in the Companies Act, 2013, to extend the coverage to service industry, which contributes more than 50% of GDP.

Therefore, the Draft Rules have reversed the Government Policy, which has evolved through a larger consultative process and is not in sync with the spirit of the Companies Act, 2013.

*Sachin Pilot*

This deprives the nation from the opportunity of improving productivity of resources to ensure competitiveness of Indian firms (and the country as a whole) and thus hampering the overall well-being, including inclusive growth. This also deprives CMAs to effectively and directly contribute in nation building.

Therefore we appeal that the position established after the issuance of notifications in 2011 & 2012 may be restored.

Yours truly,

Signature: 

Name: Girish HS  
Bengaluru