

[To be published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i)]

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 7th December, 2017

G.S.R..... (E).- In exercise of the powers conferred by sub-sections (1) and (2) of section 469 and section 148 of the Companies Act, 2013 (18 of 2013) (hereinafter referred as the Act), the Central Government hereby makes the following rules further to amend the Companies (cost records and audit) Rules, 2014, namely:-

1. These rules may be called the Companies (cost records and audit) Amendment Rules, 2017.

2. In the Companies (cost records and audit) Rules, 2014 (hereinafter referred to as the principal rules), in rule 2, after clause (f), the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 2016, namely:-

(fa) "Indian Accounting Standards" means Indian Accounting Standards as referred to in Companies (Indian Accounting Standards) Rules, 2015.

3. In the principal rules, in the Annexure, for Form CRA-1 and Form CRA-3, the following Forms shall respectively be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 2016, namely:-

"FORM CRA-1

(See rule 5(1) of the Companies (cost records and audit) Rules, 2014)

Particulars relating to the Items of Costs to be included in the Books of Accounts

1. Material Costs.-

(a) Proper records shall be maintained showing separately all receipts, issues and balances both in quantities and cost of each item of raw material required for the production of goods or rendering of services under reference.

- (b) The material receipt shall be valued at purchase price including duties and taxes, freight inwards, insurance, and other expenditure directly attributable to procurement (net of trade discounts, rebates, taxes and duties refundable or to be credited by the taxing authorities) that can be quantified with reasonable accuracy at the time of acquisition.
- (c) Finance costs incurred in connection with the acquisition of materials shall not form part of material cost.
- (d) Self-manufactured materials or captive consumption shall be valued including direct material cost, direct employee cost, direct expenses, factory overheads, share of administrative overheads relating to production but excluding share of other administrative overheads, finance cost and marketing overheads.
- (e) Spare parts shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment and depreciated accordingly. Otherwise, such items shall be classified as inventory.
- (f) Normal loss or spoilage of material prior to reaching the factory or at places where the services are provided shall be absorbed in the cost of balance materials net of amounts recoverable from suppliers, insurers, carriers or recoveries from disposal.
- (g) Losses due to shrinkage or evaporation and gain due to elongation or absorption of moisture etc., before the material is received shall be absorbed in material cost to the extent they are normal, with corresponding adjustment in the quantity.
- (h) The forex component of imported material cost shall be converted at the rate on the date of the transaction. Any subsequent change in the exchange rate till payment or otherwise shall not form part of the material cost.
- (i) Any demurrage or detention charges, or penalty levied by transport or other authorities shall not form part of the cost of materials.
- (j) Subsidy or grant or incentive and any such payment received or receivable with respect to any material cost shall be reduced from cost of the cost object in the financial year when such subsidy or grant or incentive and any such payment is recognised as income.
- (k) Issues shall be valued using appropriate method as per the provisions contained in the accounting standard applicable for the time being in force.
- (l) Where materials are accounted at standard cost, the price variances related to materials shall be treated as part of material cost.
- (m) Any abnormal cost shall be excluded from the material cost.
- (n) Wherever, material costs include transportation costs, determination of costs of transportation shall be governed by paragraph number 9 on determination of cost of transportation.
- (o) Self-manufactured components and sub-assemblies or captive consumption shall be valued including direct material cost, direct employee cost, direct expenses, factory overheads, share of administrative overheads relating to production but