

# FROM THE EDITOR'S DESK

## Greetings!

In the recent past, we have witnessed several accounting frauds throughout the world in big corporate houses. These corporate giants had reputed leaders and experienced professionals, robust corporate governance and auditors who were renowned for quality deliverables. Despite this, the frauds committed by managements through manipulation, distortion or misapplication of accounting practices had escaped the auditor's eye.

In view of this, the Ministry of Corporate Affairs has announced a number of circulars and notifications relating to Cost Audit, which have brought about a sea-change in the applicability of Cost Audit Rules. The maintenance of cost accounting records and cost audit have been prescribed for companies engaged in manufacturing, production, processing, and mining activities vide the Various Cost Accounting Records Rules 2011 and Cost Audit Report Rules 2011. The concept of 'Product group' has been introduced for Compliance Reports and for reporting in various paragraphs under cost audit.

The Performance Appraisal Report from a Cost Auditor contains useful information and suggestions on capacity utilization, efficiency analysis, Utilities analysis, Key-costs and Contribution analysis, etc. Companies can benefit hugely from this report, which is based on the experience and expertise of the cost auditor.

In such a competitive scenario, Cost Audit Reports can play a pivotal role because it provides reliable and authentic feedback to the government and its various departments and agencies. The Cost Audit Report is an effective tool of information in the hands of directors on the board because it gives a clear-cut analysis of cost structure and pricing policy, thus ensuring good corporate governance. It also provides performance appraisal reports which help directors, the government, and investors to understand the performance of the company. They also help the company get the cost and revenue information necessary to formulate and implement strategies.

With increasing foreign trade coming under the WTO regime, the dumping of products has become a serious issue in international trade. Cost records and the cost audit report help to control the dumping process and effectively apply the Competition Act.

The Cost Audit Report is a very useful resource for the Direct and Indirect Tax Authority because cost audited records play a huge role in determining 'Arms length'. The Excise department also depends on the cost audit report to determine excise duty. The Cost Audit Report shows the actual amount of various taxes paid by a company provides information about actual productivity and wastage.

As a whole, the cost audit focuses on performance evaluation. It helps to improve business performance and production efficiencies by detecting deviations from standards, provides reasons for visible and invisible losses, inefficiencies, wastages, etc. and shows the most efficient and effective ways to utilize scarce resources.

It is our pleasure to present a completely new-look journal with more thought-provoking content. This issue has a few relevant articles on 'Cost Audit and Compliance'. We have also introduced a 'Special Focus' article from eminent personalities from varied professions. We are indebted to all the contributors to this important issue. We look forward to feedback from our readers on the articles and of course on the new look of the journal at [editor@icmai.in](mailto:editor@icmai.in). We hope our readers enjoy this issue.

## Cover stories invited for the September and October 2013 issues of *The Management Accountant*

The cover story of the September 2013 issue of *The Management Accountant* will be on 'Health sector: Imperatives for CMAs'. The cover story for the October 2013 issue will be 'Enterprise Risk Management'. Articles on the topic are invited from readers and authors along with their passport-size photos. Please send your articles by e-mail to [editor@icmai.in](mailto:editor@icmai.in) followed by a hard copy to CMA Bhawan, Fourth floor, 84 Harish Mukherjee Road, Kolkata 700 025. Hard copies for the September issue must reach by 8 August 2013 and those for October by 8 September.

## Attention

We will soon launch a membership drive for eligible final qualified candidates. Those who are satisfied of their eligibility criteria, details of which are mentioned under the 'Members' Menu' on the Institute's website [www.icmai.in](http://www.icmai.in) are encouraged to rush in their applications and obtain Associate membership of the Institute.

## Corrigendum

On page 851 of the July 2013 issue of *The Management Accountant*, a subhead was wrongly printed as 'Advancement to Fellowship'. It should have read 'Admission to Associate membership'. We regret the error.