

Preparation and Filing of Cost Audit Report

8

This Module includes:

- 8.1 Introduction**
- 8.2 Critical Elements of Cost Audit Report and Related Evidences (Physical and Digital)**
- 8.3 Qualified Audit Report**
- 8.4 Adverse Audit Report**
- 8.5 Filing of Cost Audit Report to MCA in XBRL Format (as per TAXONOMY)**

Preparation and Filing of Cost Audit Report

SLOB Mapped against the Module

To focus on basic cost information, appropriately computed cost centre wise, system-based cost data support for decision-making processes. (CMLO 5a)

Module Learning Objectives:

Every Cost Auditor or every Lead Cost Auditor on behalf of all the Cost Auditors in a Company, has to file their Cost Audit Report and other documents with the Central Government as per sub-section (4) of section 233B of the Act, and rules made there under. Companies operating in the above mentioned industries and meeting the criteria, should have cost auditors to conduct their cost records and file in XBRL format and those are discussed in the module. After studying this module, the students will be able to –

- Identify the Critical Elements of Cost Audit Report and Related Evidences
- Ascertain and understand a Qualified Audit Report and an Adverse Audit Report
- Perform the Filing of Cost Audit Report to MCA in XBRL Format

A Cost Auditor is required to submit his report in Form CRA-3 which is required to be prepared on the basis of data and information available in the cost accounting records and other data maintained by the company in accordance with CRA-1 of the rules. The format of the Cost Audit Report and Annexure thereto has been prescribed by the Companies (Cost Records and Audit) Rules, 2014 [amended as on 15th October, 2019].

The primary responsibility of preparation of the Annexures to the Cost Audit Report lies with the company. However, the same should be prepared in consultation with the cost auditor to ensure that the reporting conforms to the prescribed rules and at the same time the report is in conformity with the cost accounting records.

If, as a result of the examination of the books of the accounts, the cost auditor wants to point out any material deficiency or give a qualified report, he shall indicate the same against the relevant paragraph (i) to (vi) in the prescribed form of the cost audit report giving details of discrepancies noticed by him. It implies that the cost auditor should put his comments in the respective paragraphs of the cost audit report itself.

The report, suggestions, observations and conclusions given by the cost auditor shall be based upon data duly verified, and reference to which shall be made in the report and shall be included after an opportunity is given to the company to comment on them. The cost auditor is required to point out any deficiency or reservation to the management first. In case he is satisfied with the response of the management, he may decide to drop the issue. However, if he is not satisfied with the explanation of the management, he may decide to qualify the report to that extent.

Critical Elements of Cost Audit Report and Related Evidences (Physical and Digital)

8.2

The Institute of Cost Accountants of India defines ‘cost audit’ as an audit of efficiency of minute details of expenditure while the work is in progress and not a post-mortem examination like Financial audit, which is a ‘fait accompli’.

A cost audit comprises the following:

Verification of the cost accounting records such as the accuracy of the cost accounts, cost reports, cost statements, cost data and costing technique. Examination of these records to ensure that they adhere to the cost accounting principles, plans, procedures and objective.

Cost audit **helps in detection of errors and frauds.** The management gets accurate and reliable data based on which they can make day-to-day decisions like price fixation, margin, continuity or outsourcing, make or buy etc. It helps in cost control and finding avenues of cost reduction.

The Cost Audit and requirement of details are informative for better and clear understanding of the Users of Report. CRA – 1, prescribes 30 (thirty) broad headings for detailed cost accumulation. The Headings are:

1. Material Cost,
2. Employee Cost,
3. Utilities,
4. Direct Expenses,
5. Repair and Maintenance,
6. Fixed Assets and Depreciation,
7. Overheads,
8. Administrative Overheads,
9. Transportation Cost,
10. Royalty and Technical Know-how,
11. Research and Development Expenses,
12. Quality Control Expenses,
13. Pollution control Expenses,

14. Service Department Expenses,
15. Packing Expenses,
16. Finance Cost,
17. Any other item of Cost,
18. Capacity determination,
19. Work-In-Progress,
20. Captive consumption,
21. By-product and Joint product,
22. Adjustment of cost variances,
23. Reconciliation of Cost and Financial Account,
24. Related Party,
25. Expenses or Incentives on Exports,
26. Production Records,
27. Sales Records,
28. Cost Statements,
29. Statistical Records,
30. Records of Physical verification.

Accordingly, the prescribed Format (Ref. CRA -3) i.e the Cost Audit Report includes Unit-wise, Product/Service-wise Cost Statements and Schedules, deviation for the same need to be reported. Part – D of CRA-3 is a measure towards performance orientation which includes the following aspects :

- (a) Product and Service profitability statement
- (b) Profit reconciliation
- (c) Value addition and distribution of earnings
- (d) Financial position and ratio analysis

It is needless to point out that appropriate documentation (Working papers, Files, process document in physical or electronic form/ mode) and additional supporting, if any, to be to be filed along with XBRL.

The above requirements are to accomplish the objectives of cost audit:

- (i) To verify that the cost accounting records (or costing books) are accurate.
- (ii) To certify that costing principles have been fully adhered to in maintaining cost accounts.
- (iii) To find out whether the predetermined cost accounting procedures and processes have been strictly followed by the management.

- (iv) To detect errors and frauds, which might have been committed intentionally or otherwise in preparing cost accounts.
- (v) To check whether each item of expenditure involved into the relevant components of goods manufactured has been properly incurred.
- (vi) To see how far the existing practices of cost records are helpful for the management to take decisions.
- (vii) To disclose the deficiencies or inefficiencies in the use of material, labour and machines with a view to assist the management.
- (viii) To assist the external auditor in conducting detailed checking by reducing the volume of audit work through the use of internal cost audit system.
- (ix) To exercise moral check on the cost accounting staff and to attain efficiency in cost accounting systems and procedures.

The following critical elements must be stated in the cost auditor's report:

- (a) Whether the machines and labour remained idle during the year because of the shortage of raw materials.
- (b) Whether a large quantity of raw materials were stocked which remained unutilized for a long time, thereby locking up the working capital of the company.
- (c) He should state whether the cost records maintained by the company were adequate for the purpose of audit.
- (d) He should state whether the broad policy laid down by the management was faithfully followed.
- (e) The report should concentrate more on the cost of production, comparative profitability, and operating efficiency of different lines in which the company is engaged rather than the routine statistical or financial information.
- (f) The cost auditor should state if there has been a rise in the cost of production as compared to that of the previous year. He should analyse the causes of such a rise. He should clearly point out where the problem originates from.
- (g) The report should state if there has been any wastage during the process of manufacture and how it could be avoided.
- (h) The cost auditor should also mention the areas in which it is possible to reduce the cost of production.
- (i) He should state whether or not the cost statement reveals a true and fair view of the cost of production.

Every Company covered under this rules, within a period of 30 days from the receipt of the cost audit report to submit /upload in XBRL Format the detail and report with full information and explanations on every reservations or quantification contained therein in CRA-4 as specified in the Companies Filing of Documents and Forms in XBRL Rules 2015 in MCA Portal. This helps Companies to integrate Financial and Cost datum across all operational areas for better control.

Qualified Audit Report

8.3

A qualified audit report is given by the cost auditor when the cost statements are materially misstated due to misstatement in one particular cost element, class of transaction or disclosure that does not have pervasive effect on the cost statements and when the cost auditor is unable to obtain audit evidence regarding particular cost element, its allocation and apportionment, class of transaction or disclosure that does not have pervasive effect on the cost statements.

A qualified audit report issued when the cost auditor encounters any of these situations which do not comply with the generally accepted cost accounting principles and is not in conformity with the principles laid down in CRA-1.

Adverse Audit Report

8.4

An adverse audit report on the cost accounting records and cost statements of a company means that the cost statements are materially misstated and such misstatements have pervasive effect on the cost of production, cost of sales and margin of the products. An adverse opinion is issued when the cost auditor determines that the cost statements of an auditee are materially misstated and when considered as a whole, do not conform with the generally accepted cost accounting principle. It is considered the opposite of an unqualified or clean opinion, essentially stating that the information contained is materially incorrect, unreliable, and inaccurate in order to assess the company's operational results.

Filing of Cost Audit Report to MCA in XBRL Format (As per TAXONOMY)

8.5

Before we discuss about cost audit report, let us know in detail about XBRL, its Glossary and Format as per Costing Taxonomy.

Rule 6(6), of the Companies (Cost Records and Audit) Rules, 2014, as amended by the Companies (Cost Records and Audit) Amendment Rules, 2016, vide Gazette notification No: G.S.R. 695(E), dated 14th July, 2016 mandates that:

“Every company covered under these rules shall, within a period of thirty days from the date of receipt of a copy of the cost audit report, furnish the Central Government with such report along with full information and explanation on every reservation or qualification contained therein, in Form CRA-4 in Extensible Business Reporting Language format in the manner as specified in the Companies (Filing of Documents and Forms in Extensible Business Reporting language) Rules, 2015 along with fees specified in the Companies (Registration Offices and Fees) Rules, 2014.”.

Accordingly, all the cost audit reports have to be filed online, with MCA, in XBRL format, attached to the prescribed Form CRA-4. XBRL international, and the MCA portal, provide detailed information about XBRL and its applications. The necessary information and procedure for understanding XBRL in general and filing of cost audit report in that format, as extracted from these portals is briefly recited below:

XBRL is the open international standard for digital business reporting, managed by a global not for profit consortium called “XBRL International”. XBRL is used around the world, in more than 50 countries. Millions of XBRL documents are created every year, replacing older, paper-based reports with more useful, more effective and more accurate digital versions. The change from paper, PDF and HTML based reports to XBRL is like the change from film photography to digital photography, or from paper maps to digital maps.

XBRL makes reporting more accurate and more efficient. It allows unique tags to be associated with reported facts, allowing:

- ⦿ people publishing reports to do so with confidence that the information contained in them can be consumed and analysed accurately.
- ⦿ people consuming reports to test them against a set of business and logical rules, in order to capture and avoid mistakes at their source.
- ⦿ people using the information to do so in the way that best suits their needs, including by using different languages, alternative currencies and in their preferred style.
- ⦿ people consuming the information to do so confident that the data provided to them conforms to a set of sophisticated pre-defined definitions.

Comprehensive definitions and accurate data tags allow the:

- ⦿ preparation
- ⦿ validation
- ⦿ publication
- ⦿ exchange
- ⦿ consumption
- ⦿ analysis

of business information of all kinds.

Information in reports prepared using the XBRL standard is interchangeable between different information systems in entirely different organisations. This allows for the exchange of business information across a reporting chain. People that want to report information, share information, publish performance information and allow straight through information processing all rely on XBRL.

Potential uses of XBRL

XBRL can be applied to a very wide range of business applications including financial and cost data. XBRL has applications in the following areas:-

- ⦿ Reporting for internal and external purposes by an entity involving financial and costing data/information.
- ⦿ Business reporting to all types of regulators, including tax and financial authorities, central banks and governments.
- ⦿ Filing of loan reports and applications; credit risk assessments.
- ⦿ Exchange of information between government departments, institutions and banks.

Benefit from using XBRL

All types of organisations can make use of XBRL to automate their process of **data** collection and distribution to various stakeholders. It helps in saving costs and improving the efficiency in managing business information - financial or cost. XBRL being extensible and flexible, can be adapted to a wide variety of requirements. All stakeholders whether they are preparers, transmitters or users of business data in the financial information supply chain can benefit from the use of XBRL.

Future of XBRL

XBRL has a bright future ahead of it that goes way beyond the current focus on regulatory reporting and compliance. Businesses that are now creating XBRL filings for regulatory bodies should be thinking about how they can leverage their investment in understanding and using XBRL to drive more consistent and comparable internal reporting. By tagging data at the account/transaction level, by investigating how XBRL can help to deliver new holistic reports that integrate and connect financial and non-financial data, and by leveraging emerging online XBRL data streams for better industry performance and peer group analytics, every business can power its own journey towards financial transformation.

Benefit of having cost related data in XBRL format

Government and Regulators require cost data of different sectors for policy making. The availability of cost data [without compromising on the confidentiality] in XBRL format enables informed decision making and for sectoral studies.

With full adoption of XBRL, companies would be able to integrate its financial and cost data across its operational areas and exercise better control on its activities.

Costing Taxonomy

Costing Taxonomy is a dictionary of all cost elements required in the cost audit report. The costing taxonomy contains the properties and interrelationships of all these cost elements for the purposes of capturing the required reporting data in XBRL format.

Conversion of cost audit report into the XBRL format

XBRL is an open source technology. Any of the following methods can be adopted to create the instance document required for filing of the respective reports.

- ⦿ XBRL-enabled software packages developed by different software vendors which support the creation of cost reports in XBRL format can be used to create the necessary document.
- ⦿ Various elements of Cost Audit Report can be mapped into XBRL tags of the costing taxonomy using specialised XBRL software tools specifically designed for this purpose.
- ⦿ Different third party packages can be integrated into the existing accounting systems to generate XBRL Cost statements.
- ⦿ There are various web based applications available that take input reports in various formats viz. Microsoft Excel etc. and transform them into XBRL format.

The methodology adopted by an individual company will depend on its requirements and the cost accounting software and systems being used and other factors.

Process to be followed to file the reports in XBRL Format

The following steps have to be followed in sequence:

- ⦿ Mapping the individual cost elements of the company to the elements of the costing taxonomy.
- ⦿ Populating the relevant data in the software/filing tool.
- ⦿ Creating instance document.
- ⦿ Validating the Instance Document with the Validation Tool of MCA.
- ⦿ Use available tool to convert the Instance document to a human readable format and check correctness of data.
- ⦿ Attaching the Instance Document to the e-Form and filing on MCA Portal.

STEPS FOR FILING COST AUDIT REPORT IN XBRL FORMAT ON MCA PORTAL

1. Creation of XBRL instance document

The first step for creating the instance document is tagging of the XBRL taxonomy elements with the information in the Cost audit report of the company by means of mapping of the taxonomy elements with the Cost audit report. This converts the report into XBRL form. We need to have a tool to create an 'xml' file and convert it into an instance document. There are several vendors, who provide and sell this application, that has to be acquired for the purpose.

Mapping is the process of comparing the concepts in the Cost audit report to the elements in the published taxonomy, assigning a taxonomy element to each costing concept published by the company. Once the tagging of Cost audit report elements with the published taxonomy elements is done, the next step is to create the instance document. An instance document is a XML file that contains business reporting information and represents a collection of costing information and report-specific information using tags from the XBRL taxonomy. It is to be noted that no extensions to the core Taxonomy will be allowed. Separate instance documents need to be created for the Cost Audit report, for the periods prior to and beginning after 01.04.2014.

Once the instance document has been prepared, it needs to be ensured that the instance document is a valid instance document and all the information has been correctly captured in the instance document. MCA Validation Tool provides for 'human readable' PDF printable form as well as a view of the instance document.

2. Download XBRL validation tool

A separate tool has been provided on the MCA XBRL portal for validating the generated XBRL instance document. Validating the instance document with the MCA XBRL validation tool (for costing taxonomy) is a pre-requisite before filing the Cost audit report on MCA portal.

You are required to download the tool from the portal and validate the instance document before uploading the same. The MCA XBRL validation tool (for costing taxonomy) can be downloaded from the XBRL website of the Ministry (www.mca.gov.in/XBRL).

Before Validating an Instance document, the applicable taxonomy is to be selected by the user from the drop down option 'Taxonomy'. In case the user is under LAN network, then he/she is required to click the link 'Proxy Settings' under 'Taxonomy' menu in the tool to enter the Proxy Host and Port along with user name and password. This is to setup the Internet connection, required to download the taxonomy through the XBRL Validation Tool.

3. Load the instance document

To load the instance document, you need to click the open button, select the instance document and open it. You need not exit the tool to load another instance document just click on 'open' again in the menu bar to open the next document. The detail of the company is available under the General Information tag in the XBRL viewer.

4. Validate the instance document

The next step is to validate the instance document. The following validations shall be performed by the tool-

- ⦿ Validating that the instance document is as per the latest and correct version of taxonomy prescribed by MCA
- ⦿ All mandatory elements have been entered
- ⦿ Business Rules as specified by MCA
- ⦿ Validations relating to XBRL Technical Specifications as per taxonomy

In case the instance document is not properly created, then the tool will through up the list of errors, in a separate window, and they need to be corrected and validated again for successful uploading of the report. The List of common errors and interpretation of validation errors as provided in Annexures –I & II, which are given at the end of this chapter.

5. Pre-scrutiny of the instance document

Once the instance document is successfully validated from the tool, the next step is to pre-scrutinise the validated instance document with the help of the same tool using a working internet connection. In the Pre-scrutiny, the server side validations (i.e. validations which are to be validated from the MCA21 system) shall be performed, using the MCA21 data base.

6. Convert to PDF and verify the contents of the instance document

Once the instance document has been successfully pre-scrutinized, the next step is to generate PDF by using ‘Export to PDF’ functionality in the tool to verify the final instance document. This step is essential to ensure that the textual information entered in the instance document is clearly readable. The company and the cost auditor/ cost accountant can use this feature to verify the accuracy of the instance document.

In case there is PDF conversion error or the size of the converted PDF is zero kilobytes, then check the textual information entered in the instance document and follow the html guidelines provided under the technical specifications to correct the instance document and validate and pre-scrutinize again.

7. Attach instance document to the Form CRA-4

Form CRA-4 is available on the MCA portal for filing in XBRL instance documents by the Company. First the Form has to be filled up correctly and thereafter, the validated and pre-scrutinised instance document for Cost Audit Report has to be attached to Form CRA-4.

8. Submitting the Form CRA-4 on the MCA portal

After the form is correctly filled, it is required to pre-scrutinize and then sign the form [with a valid digital signature of the person authorized by the board resolution] and then upload the same as per the normal e-Form filing process.

XBRL CONVERSION AND FILING ERRORS AND INTERPRETATION

Once the validation has been performed the list of errors, which may have occurred will be displayed by the tool. An “error” indicates that a mistake has happened, either in respect of the value of an item, or the format in which the value of the item is to be entered, not the value of an item, not matching with the values as in the data base of the MCA. E.g.: Date format 10-05-2021 is not the correct format, and it has to be entered as 10/05/2021.

A. List of common errors [Annexure – II]

Following are the few errors that may crop up in the process:

- (1) Issue in net connectivity. Please check your connection.
- (2) The PDF is not getting generated or PDF generated is of zero kilobytes in size.
- (3) The format of the date entered is not as per the valid format.
- (4) For Boolean data types ‘Yes’ or ‘No’ has been entered.

- (5) 0-100 entered for Percentage Data Type fields
- (6) Wrong Currency code like Rs entered.
- (7) Mandatory fields have not been entered.
- (8) In case the mandatory line-items of a table are not entered in the instance document.
- (9) The elements are not entered for any abstract.
- (10) The elements are not entered for ordered explicit members.
- (11) In case of mandatory table, there is no element present.
- (12) The value of element should be provided in at least one of the dimensional member.
- (13) All details for given product or activity group code should be provided.
- (14) An element having dimensional relationship is invalid with respect to scenario element in the referenced context.

B. Interpretation of validation errors [Annexure – I]

The following the instructions have to be followed to interpret those errors –

- All the Element Names will be shown within single quotes, like- 'QuantityOfMaterialConsumed'
- All the values will be shown within square brackets like- [In Employment]
- All the explicit members must come within curly brackets like- {MaterialConsumed1Member}
- All the axis names will be shown within parenthesis like- (IdentificationOfProductOrActivityGroupAxis)
- Errors which start with “cvc” are those which have occurred for the reason that the instance document generated is not as per valid taxonomy schema and the XML is not properly formed.

This is a basic level error and the software vendor needs to be contacted for these errors like: cvc-complex-type.2.2. [The schema validator used is Xerces from Apache (<http://xerces.apache.org/>) which is Industry Standard Schema Validator]

- In case of Costing Taxonomy, in some of the errors you might see terms like: “table”, “axis”, “explicit-members” and “typed-members”.

The same has been explained below for better understanding:

- Table (Hypercube): is a collection of axes (dimensions) when grouped together define an entity.
- Axis (Dimension): is a category used to analyze the information about the items having relationship with a table.
- Explicit-members: are domains that are used to express an explicit dimension. It is an element defined in the taxonomy.
- Typed-members: are domains that are used to express a typed dimension. The dimension value for simple type domain is decided by the user creating instance document.

Solved Questions:**1. What is XBRL?**

XBRL (eXtensible Business Reporting Language) is a language based on XML (Extensible Markup Language) family of languages. It is an open standards-based reporting system that is built to accommodate the electronic preparation and exchange of business reports around the world using internet as a medium. It has been defined specifically to meet the requirements of business and financial information.

It enables unique identifying tags to be applied to items of accounting data. The tags provide a range of information about the item, such as whether it is a monetary item, percentage or fraction. XBRL not only allows labels in any language to be applied to items, it also allows the accounting references or other subsidiary information to be added to the tags.

2. What are the potential uses of XBRL?

XBRL can be applied to a very wide range of business applications including financial and cost data. XBRL has applications in the following areas:-

- Reporting for internal and external purposes by an entity involving financial and costing data/information.
- Business reporting to all types of regulators, including tax and financial authorities, central banks and governments.
- Filing of loan reports and applications; credit risk assessments.
- Exchange of information between government departments, institutions and banks.

3. Who can benefit from using XBRL?

All types of organisations can make use of XBRL to automate their process of data collection and distribution to various stakeholders. It helps in saving costs and improving the efficiency in managing business information – financial or cost. XBRL, being extensible and flexible, can be adapted to a wide variety of requirements. All stakeholders whether they are preparers, transmitters or users of business data in the financial information supply chain can benefit from the use of XBRL.

4. What is the future of XBRL?

XBRL has a bright future ahead of it that goes way beyond the current focus on regulatory reporting and compliance. Businesses that are now creating XBRL filings for regulatory bodies should be thinking about how they can leverage their investment in understanding and using XBRL to drive more consistent and comparable internal reporting. By tagging data at the account/transaction level, by investigating how XBRL can help to deliver new holistic reports that integrate and connect financial and non-financial data, and by leveraging emerging online XBRL data streams for better industry performance and peer group analytics, every business can power its own journey towards financial transformation.

5. Who developed XBRL?

The Extensible Business Reporting Language (XBRL) is managed and promoted by XBRL International, a not-for-profit consortium, with companies, government bodies and other organizations as its members. Currently over 600 organizations are associated with XBRL International. It is comprised of jurisdictions, which represent countries, regions or international bodies and which focus on the progress of XBRL in their area.

6. What is the benefit of having cost related data in XBRL format?

Government and Regulators require cost data of different sectors for policy making. The availability of cost data [without compromising on the confidentiality] in XBRL format enables informed decision making and for sectoral studies.

With full adoption of XBRL, companies would be able to integrate its financial and cost data across its operational areas and exercise better control on its activities.

7. What is Costing Taxonomy?

Costing Taxonomy is a dictionary of all cost elements required in the cost audit report and compliance report. The costing taxonomy contains the properties and interrelationships of all these cost elements for the purposes of capturing the required reporting data in XBRL format.

8. Where can I find the Costing Taxonomy and related Business Rules?

The Costing Taxonomy and related Business Rules including sample instance documents can be downloaded from the website of MCA (<http://mca.gov.in>).

9. What is the use of other files given in xml / xsd format along with the taxonomy?

Taxonomy file has extensions of XML and XSD. An XBRL processor (computer software that understands and/or manipulates XBRL documents) will need those XML and XSD documents.

10. How and where can a person interested in filing cost audit report and compliance report in XBRL format take training for the same?

The Institute of Cost Accountants of India has been organizing XBRL training programmes across the country to familiarize interested professionals with the Costing Taxonomy. The details of the programmes are available on the website of the Institute (www.icmai.in) as well the website of MCA (www.mca.gov.in).

11. How can the cost audit report and compliance report is converted into the XBRL format?

XBRL is an open source technology. Any of the following methods can be adopted to create the instance document required for filing of the respective reports.

- XBRL-enabled software packages developed by different software vendors which support the creation of cost reports in XBRL format can be used to create the necessary document.
- Various elements of Cost Audit Report and Compliance Report can be mapped into XBRL tags of the costing taxonomy using specialised XBRL software tools specifically designed for this purpose.
- Different third party packages can be integrated into the existing accounting systems to generate XBRL Cost statements.
- There are various web based applications available that take input reports in various formats viz. Microsoft Excel etc. and transform them into XBRL format.

The methodology adopted by an individual company will depend on its requirements and the cost accounting software and systems being used and other factors.

12. Does preparing XBRL Documents mean that the entire report has to be typed (Data Entry) in XBRL?

XBRL software is required for creating instance documents. The way of working and sequence of entering data in the software may be different, but the output, i.e. the XBRL instance document has to be same irrespective

of the software used. The softwares developed by individual vendors being different, some may require data entry to be done, while some others may facilitate tagging on the document itself.

13. Is the XBRL software required to be purchased from a software vendor or MCA will provide the software. Which agency should I approach to get the XBRL software?

XBRL instance document creation software is required to be purchased from the software vendors in the market. This software is used to create XBRL instance documents for uploading on the MCA portal. MCA21 system provides facility for validation of the instance document and filing of the same. MCA is not recommending any specific XBRL software.

There are several software vendors in the market, who are in the business of developing XBRL software tools. The users are free to choose the one that suits their requirements in order to create XBRL documents for filing.

14. What is the purpose of the Final Costing Taxonomy and the Business Rules?

The final costing taxonomy published by MCA is to be used for mapping of individual cost elements of the company to the Taxonomy. The Business Rules of the Costing Taxonomy published by the MCA provides details of the character of individual elements of the taxonomy and the validation checks built into the system to ensure correctness of the information.

15. What process is to be followed to file the reports in XBRL Format?

The following steps have to be followed in sequence to file the reports in XBRL Format:

- Mapping the individual cost elements of the company to the elements of the costing taxonomy.
- Populating the relevant data in the software/filing tool.
- Creating an XBRL instance document.
- Download XBRL validation tool.
- Validating the instance document with the validation tool of MCA.
- Pre-scrutiny of the instance document.
- Use available tool to convert the instance document to a human readable pdf format and check correctness of data.
- Attaching the instance document to the e-Form and filing on MCA portal.

16. Is it necessary to convert the instance document (xml) into a human readable / pdf format?

Though technically, it is not required to convert the xml instance document into human readable / pdf format, it is advisable to generate a human readable format of the instance document to ensure its correctness by matching with relevant Cost Audit Report or Compliance Report prepared by the Cost Auditor/Accountant before it is uploaded.

17. Whether it is required to validate the instance document created before uploading the same on MCA portal?

Yes, validating the instance document is a pre requisite before filing the Cost Audit Report and Compliance Report on MCA portal. A tool has been provided on the MCA portal for validating the generated XBRL instance document. You are required to download the tool from the portal and validate the instance document

before uploading the same. The MCA XBRL validation tool can be downloaded from the XBRL website of the Ministry of Corporate Affairs.

18. Will extension to the taxonomy be allowed based on company specific requirements?

No extensions are allowed in the Costing Taxonomy. This means the tagging is required to be done with the elements already defined in the Costing Taxonomy and additional elements cannot be added.

19. When we are filing Cost Audit Report/ Compliance in XBRL format, then whether the previous Form-I and Form-A are still in existence or not?

Previous forms are no longer in existence. Only the new forms I-XBRL and A-XBRL are to be used for filing of Cost Audit Report and Compliance Report respectively in the XBRL format.