

CSR expenses need to be treated as non-cost items: ICAI

Companies need to treat expenses related to CSR activities as non-cost items and separately disclose transactions in this regard where related parties are involved, according to cost accountants' apex body ICAI .

In a detailed exposure draft of guidance note on 'Treatment of Costs Relating to CSR Activities', the grouping has said that cost auditors should ensure that corporate social responsibility expenses are treated properly and not wrongfully claimed as product or service costs.

Under the Companies Act, 2013, certain class of profitable entities are required to shell out at least two per cent of their three-year annual average net profit towards Corporate Social Responsibility (CSR) activities.

The provision came into force from April 1, 2014.

According to the Institute of Cost Accountants of India (ICAI), all expenses relating to CSR activities "whether incurred up to the statutory limit of two per cent... or more, shall be treated as non-cost items and reflected separately in the profit reconciliation statement".

Similarly, all incomes generated out of assets created under CSR projects, programmes and activities, whether recognised as revenue in the profit and loss statement or not, should be treated as non-cost items and shown separately.

"The cost auditor has to be extra careful in such situations and check such expenses (or incomes) to ensure their proper treatment in the cost statements. The cost auditor should also bring such deviations to the notice of the Audit Committee or Board, as the case may be," the draft said.

On whether excess amount spent on CSR activities under the law can be considered as cost, ICAI has said, "the entire amount is to be shown as non-cost item in the cost statements".

On March 1, the government had said a total of 460 listed firms disclosed spending Rs 6,337.36 crore towards CSR works in 2014-15.

(Times of India)