

## **SCOPE OF PRACTICE FOR COST AND MANAGEMENT ACCOUNTANTS**

A Cost and Management Accountant may build up his / her own practice by obtaining a licence from the Institute, which would enable him / her to practice as a Cost and Management Accountant, either individually or in partnership with one or more members of the Institute in practice.

Practicing Members' clients include private and public companies, large, medium and small-scale undertakings, partnership and proprietary concerns, industrial, commercial and service undertakings. The scope of practice as a Cost and Management Accountant offers the following avenues:

### **Cost Audit:**

As per SRO 846 (1)/98 dated 24<sup>th</sup> July 1998 issued by the Securities and Exchange Commission of Pakistan (SECP) regarding Companies (Audit of Cost Accounts) Rules, 1998, the Cost and Management Accountants are eligible to conduct cost audit. These Rules impose restrictions on Cement, Sugar and Vegetable Ghee & Cooking Oil Companies to get their cost accounts audited every year. The SECP has issued the Cost Accounting Records Orders for these three industries as follows:

- Cost Accounting Records Order - Vegetable Ghee & Cooking Oil Companies, enforced in 1990;
- Cost Accounting Records Order - Cement Industry, enforced in 1994; and
- Cost Accounting Records Order - Sugar Industry, enforced in 2001.

In addition to the above three industries, the Institute has developed and forwarded draft Cost Accounting Records Rules of nine industries viz. pharmaceutical, chemical fertilizer, automobile, cycle, cotton textiles, engineering, synthetic and rayon industry, electrical cables and conductors industry and thermal power generating companies. Out of nine industries, the SECP has issued gazette notifications for two industries viz. Chemical Fertilizer and Pharmaceutical Industries, to elicit public opinion.

### **Sales Tax Audit of Registered Persons:**

As per Finance Act 2006 and under Section 32-A of the Sales Tax Act, 1990, the Management Accountants or their firms are eligible for appointment as Special Sales Tax Auditors to conduct special audit of the records of registered persons, as may be assigned to them by the respective collectorates. In pursuance of these provisions, 28 Cost and Management Accountants were appointed in 2000 as Special Auditor by CBR. In this connection, CBR vide SRO 539(I)/2006 dated 5<sup>th</sup> June 2006 has notified the listing of 30 Cost and Management Accountants and their firms as Special Auditors.

### **Audit of Sales Tax Refund Claims:**

As per Finance Act 2006 and under Section 32A of the Sales Tax Act, 1990, the Cost and Management Accountants are also eligible to conduct audit of sales tax refund claims.

### **Audit of Records of Registered Persons under Federal Excise Act**

Under Federal Excise Act, 2005, the Cost and Management Accountants are eligible for appointment as auditor to conduct audit of the records and documents of any person registered under this Act.

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**Certification of Audited Accounts of Non-Profit Organizations (NPOs):**

The Cost and Management Accountants are eligible to attest copies of balance sheet and of revenue accounts of Non-Profit Organizations (NPOs) under Rule 211 of the Income Tax Rules, 2002, as notified vide SRO 774 dated 29 July 2006, by the CBR.

**Certification of Financial Statements under SBP Prudential Regulations:**

The Cost and Management Accountant firms are authorized to certify the accounts of borrowers under the Prudential Regulations of the State Bank of Pakistan. These Prudential Regulations are related to Corporate/Commercial Banking, SME Financing and Agricultural Financing.

**Certification of Accounts of Leasing Companies:**

As per the Leasing Companies (Establishment and Regulation) Rules, 2000, where the financial exposure exceeds Rs. 2 million but does not exceeds Rs. 10 million, the accounts could be certified by a practicing Cost and Management Accountant.

**Certification of Accounts of Modaraba Companies:**

The Cost and Management Accountants are also authorized by the SECP to certify the accounts of a Modaraba company, where exposure exceeds Rs. 2 million but does not exceed Rs. 10 million.

**Appointment as Sales Tax Electronic Intermediary:**

The Cost and Management Accountants, having sufficient physical and information technology infrastructure, can also be appointed as electronic intermediary, under the Sales Tax Electronic Intermediaries Rules, 2006 issued by the Central Board of Revenue.

**Appointment as Inspector to investigate affairs of Companies:**

The Cost and Management Accountants are also eligible to be appointed as Inspectors by the Securities and Exchange Commission of Pakistan, to investigate the affairs of the companies under Sections 263 and 265 of the Companies Ordinance, 1984.

**Appointment as Member of ADR Committee:**

A Cost and Management Accountant can also be appointed as the member of Committees on Alternate Dispute Resolution (ADR). The Central Board of Revenue (CBR) vide its SRO 540(I)/2006 dated 5<sup>th</sup> June 2006 has notified a panel of 69 persons for constitution of Committees on Alternate Dispute Resolution (ADR). The panel also includes five Cost and Management Accountants.

(3)

**Management Consultancy:**

The Cost and Management Accountants can effectively undertake the Management Consultancy Services, as they are professionally trained and competent to accept this challenge. The Consultancy services generally include financial planning and financial policy determination, capital structure planning and advice on raising finance by issue of shares or by way of borrowing, preparing project reports and feasibility studies, preparing cost budgets, cost flow statements, profitability statements, capital budget and revenue budgets, organizing, planning and cost control, inventory management, material handling and storage, price fixation, personnel selection, cost audit, management audit, job description and job evaluation, setting up executive incentive plans and wage incentive plans, control method and management reporting, advice regarding amalgamations and mergers, accounting services (installing cost and financial accounting system), planning for curtailing expenses and increasing profit, development of software for integrated system of an organization, development of software for finance, accounting and cost accounting departments, advice in tax management, advice in Cost Management.

**Other Services:**

Besides the above, as per the CMA Act 1966 and CMA Regulations, 1990, the Management Accountants can also act as Liquidators, Trustees, Executors, Administrators, Arbitrators, Receivers and Advisors, They can also act as representative in costing, financial, company law and taxation matters. They are also eligible to take up any appointment made by Federal or Provincial Governments, Courts of Law or any other authority established under the law.

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