

The background features a dark blue gradient with several semi-transparent circular gauges and scales. Some gauges have numbers like 140, 150, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, and 260. There are also dashed lines and arrows indicating movement or flow.

# **COST ACCOUNTING RECORDS & COST AUDIT**

# COST AUDIT

- The ICWAI defines statutory cost audit as “A system, of audit introduced by the GOI for the review, examination and appraisal of the cost accounting records.
- Cost Audit is a critical review undertaken for the purpose of
  - a) Verification of the correctness of cost accounts and
  - b) Checking that cost accounting plan is adhered to

# IMPORATANT TERMS

- 1. “Cost Records” means books of account relating to utilization of materials, labour and other items of cost as applicable to the production of goods or provision of services as provided in Section 148 of the Act and these rules.
- 2. Every company specified in item (A) of rule 3 shall get its cost records audited in accordance with these rules if the overall annual turnover of the company from all its products and services during the immediately preceding financial year is rupees fifty crores or more as the aggregate turnover of the individual.

# IMPORATANT TERMS

- Exemption from maintenance of cost records:

a) Foreign companies having only liaison offices

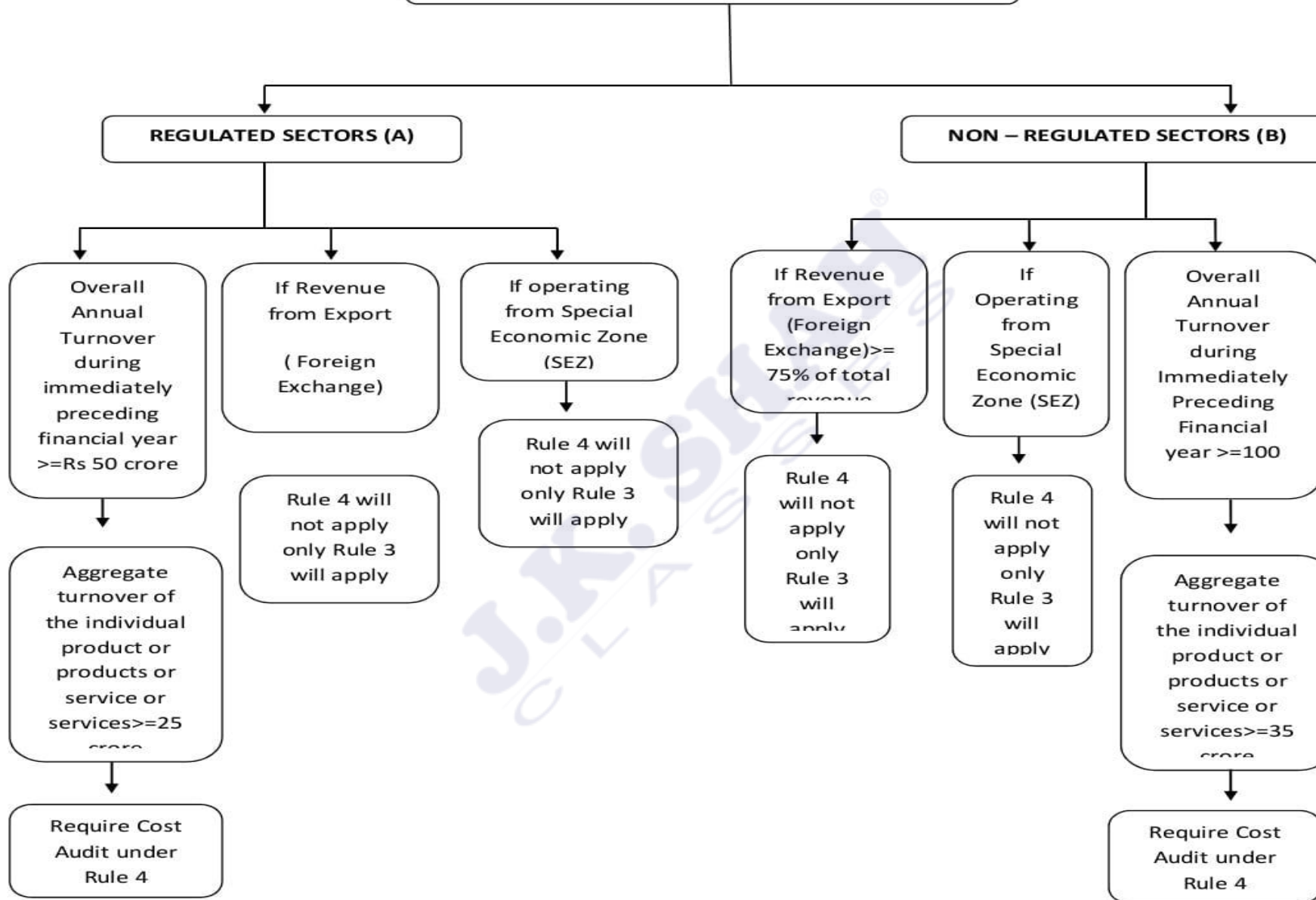
b) A company which is classified as a micro enterprise or a small enterprise including as per the turnover criteria u/s 7(9) of the Micro, Small and Medium Enterprises Development Act, 2006.

# **RULE 3:**

## **APPLICATION OF COST RECORDS**

- For the purposes of Section 148(1) of the Act, the class of companies, including foreign companies engaged in the production of the goods or in rendering services, having an overall turnover from all its products and services of **Rs 35 crores or more** during the immediately preceding financial year, shall include cost records for such products or services in their books of account.

# APPLICABILITY OF COST AUDIT (RULE 4)



# **RULE 5: MAINTENANCE OF COST RECORDS**

- a) Every company under these rules including all units and branches thereof shall in respect of each of its financial year commencing on or after the 1st day of April, 2014, will maintain cost records in form CRA-1.
- b) The cost records referred to in the sub-rule (1) shall be maintained on regular basis in such a manner as to facilitate calculation of per unit cost of production or cost of operations, cost of sales and margin for each of its products and activities for every financial year on monthly or quarterly or half yearly or annual basis.
- c) The cost records shall be maintained in such a manner so as to enable the company to exercise, as far as possible, control over the various operations and costs to achieve optimum economies in utilization of resources and these records shall also provide necessary data which is required to be furnished under these rules.

# RULE 6: COST AUDIT

<b>Appointment of Cost Auditor</b>	<b>within 180 days of commencement of financial year</b>	
<b>Intimation to Central Government</b>	Within 30 days of the Board Meeting in which appointment is made	Form CRA – 2
<b>Terms of Appointment</b>	Cost Auditor shall continue office till the expiry of 180 days from close of FY	
<b>Casual Vacancy</b>	Shall be filled by BOD within 30 days of occurrence of such vacancy	



<b>Cost Audit Report</b>		<b>Form CRA – 3</b>
<b>Submission of Cost Audit Report to BOD</b>	Within a period of 180 days from close of FY	
<b>Submission of Cost Audit Report to Central Government</b>	Company shall submit the Cost audit Report to CG within a period of 30 days of the receipt of the report	Form CRA - 4

# PROVISIONS OF COMPANIES ACT, 2013 RELATING TO COST AUDIT

Section 148 (1)	Maintenance of Costing Records
Section 148 (2)	Cost Audit
Section 148 (3)	Appointment of Cost Auditor
Section 148 (5)	Qualifications, Disqualifications, Rights, Duties and Obligations to Cost Auditor
Section 148 (6)	Submission of Cost Audit Report to Central Government
Section 148 (7)	Further Information and Explanation

# FORMS

- **CRA – 1:** The Form CRA – 1 prescribes the form in which cost records shall be maintained
- **CRA – 2:** Form of Intimation of Appointment of Cost Auditor by the Company to Central Government
- **CRA – 3:** Form of Cost Audit Report
- **CRA – 4:** Form for filing Cost Audit Report with the Central Government