

SYNOPSIS

Companies (Cost Records and Audit) Rules 2014

## **Companies (Cost Records and Audit) Rules 2014**

### **Delegation**

Notified by GOI on 30 June 2014 vide GSR 425 (E) in exercise of powers under Companies Act 2013 s 469(1), s 469(2) and s 148. As amended by the Cost Records and Audit amendment Rules, 2014, 2015, 2016, 2017, 2018 and 2019.

### **1 - Short title, extent and commencement**

1 (1) - These rules may be called the Companies (Cost Records and Audit) Rules, 2014.

1 (2) - They shall come into force on the date of publication in the Official Gazette.

1 (3) - The companies who have already filed their Cost Audit Report in form CRA-4 for the financial year 2018-19 with the Central Government before the publication of this notification are not required to file their Cost Audit Report for the said financial year.

### **2 - Definitions**

(a) Act; (aa) Central Excise Tariff Act Heading; (b) Cost Accountant in practice; (c) cost auditor (d) cost audit report; (e) cost records; (f) form; (g) institute; (h) all other words and expressions used in these rules but not defined, and defined in the Act or in the Companies (Specification of Definition Details) Rules, 2014 shall have the same meanings as assigned to them in the Act or in the said rules.

### **3 - Application of Cost Records**

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For the purpose of Companies Act 2013 s 148(1), the class of companies engaged in the production of the specified goods or providing services having an overall turnover from all its products and services of Rs.35 crore or more during the immediately preceding financial year shall include cost records for such products or services in their books of account: (A) Regulated sector - (1) Telecommunication (2) Electricity (3) Petroleum, etc. (B) Non-regulated sector - (1) Machinery and mechanical appliances (2) Turbo jets and propellers, etc.

#### **4 - Applicability for cost audit**

4 (1) - 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 ₹ 50 crore or more and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained under rule 3 is ₹ 25 crore or more.

4 (2) - Every company specified in item (B) 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 ₹ 100 crore or more and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained under rule 3 is ₹ 35 crore or more.

4 (3) - The requirement for cost audit under these rules shall not apply to a company which is covered in rule 3, and- (i) whose revenue from exports, in foreign exchange, exceeds seventy five per cent of its total revenue; or (ii) which is operating from a special economic zone; or (iii) which is engaged in generation of

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electricity for captive consumption through Captive Generating Plant.

## **5 - Maintenance of records**

5 (1) - 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, maintain cost records in form CRA-1.

5 (2) - The cost records referred to in sub-rule (1) shall be maintained on regular basis in such 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.

5 (3) - The cost records shall be maintained in such 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 utilisation of resources and these records shall also provide necessary data which is required to be furnished under these rules.

## **6 - Cost audit**

6 (1) - The category of companies specified in rule 3 and the thresholds limits laid down in rule 4, shall within 180 days of the commencement of every financial year, appoint a cost auditor.

6 (1A) - The cost auditor appointed under sub-rule (1) shall submit a certificate that – (a) the individual or the firm, as the case may be, is eligible for appointment and is not disqualified for appointment under the Cost and Works Accountants Act, 1959 and the rules or regulations made thereunder; (b) the

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individual or the firm, as the case may be, satisfies the criteria provided in section 141 of the Act, so far as may be applicable; (c) the proposed appointment is within the limits laid down by or under the authority of the Act; and (d) the list of proceedings against the cost auditor or audit firm or any partner of the audit firm pending with respect to professional matters of conduct, as disclosed in the certificate, is true and correct;

6 (2) - Every company referred to in sub-rule (1) shall inform the cost auditor concerned of his or its appointment as such and file a notice of such appointment with the Central Government within a period of thirty days of the Board meeting in which such appointment is made or within a period of one hundred and eighty days of the commencement of the financial year, whichever is earlier, through electronic mode, in form CRA-2, along with the fee as specified in Companies (Registration Offices and Fees) Rules, 2014.

6 (3) - Every cost auditor appointed as such shall continue in such capacity till the expiry of 180 days from the closure of the financial year or till he submits the cost audit report, for the financial year for which he has been appointed.

6 (3A) - Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal, shall be filled by the Board of Directors within thirty days of occurrence of such vacancy and the company shall inform the Central Government in Form CRA-2 within thirty days of such appointment of cost auditor.

6 (3B) - The cost statements, including other statements to be annexed to the cost audit report, shall be approved by the Board of Directors before they are signed on behalf of the Board by any

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of the director authorised by the Board, for submission to the cost auditor to report thereon;

6 (4) - Every cost auditor, who conducts an audit of the cost records of a company, shall submit the cost audit report along with his or its reservations or qualifications or observations or suggestions, if any, in form CRA-3.

6 (5) - Every cost auditor shall forward his duly signed report to the Board of Directors of the company within a period of one hundred and eighty days from the closure of the financial year to which the report relates and the Board of Directors shall consider and examine such report, particularly any reservation or qualification contained therein.

6 (6) - 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 alongwith 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 alongwith fees specified in the Companies (Registration Offices and Fees) Rules, 2014.

6 (7) - The provisions of Companies Act 2013 s 143(12) and the relevant rules made thereunder shall apply *mutatis mutandis* to a cost auditor during performance of his functions under Companies Act 2013 s 148 and these rules.