

SECTION-148 OF THE COMPANIES ACT, 2013 READ WITH COMPANIES (COST RECORDS AND AUDIT) RULES, 2014

- Central Government may by order in respect of certain class or classes of companies, mandate a cost audit report to be obtained from a practicing cost accountant. **(Section-148 of the companies act, 2013)**
- It shall be **conducted by a cost accountant in practice** who shall be appointed by the Board on such remuneration as fixed by them.
- Cost auditor shall be appointed within a period of **180 days** from the commencement of financial year in **Form CRA – 4**.
- Cost Audit Report shall be in **Form CRA – 3**.
- Every company under these rules including all units and branches thereof, shall, in respect of each of its financial year maintain cost records in **Form CRA-1**.
- The requirement for cost records under these rules shall not be applicable to a company which is classified as a **MSME** including as per the turnover criteria under **Section 7(9) of the MSME Development Act, 2006**.
- The requirement for cost audit under these rules **shall not be applicable** to a company covered under the Rules if revenue **from exports** (in foreign exchange) **exceeds 75% of its total revenue OR** if it is operating from **a special economic zone (SEZ)**.

- **FORMS RELATED TO COST AUDIT:**

1. **CRA-1:** Cost Records
2. **CRA-2:** Notice of Appointment of Cost Auditor
3. **CRA-3:** Form of the Cost Audit Report
4. **CRA-4:** Filing of Cost Audit Report with the Central Government.
5. **CRA-5:** Form for Change in Cost Auditor

- ❖ **APPLICABILITY OF COST RECORDS:**

Cost records must be maintained by companies engaged in **specified regulated and non-regulated sectors**; if their **turnover exceeds ₹35 crores** in the **preceding financial year**.

- **Regulated Sectors:**

- a) Telecommunications
- b) Petroleum products
- c) Electricity
- d) Drugs and pharmaceuticals
- e) Fertilizers
- f) Sugar
- g) Railways (goods/passenger)

- **Non-Regulated Sectors:**

- a) Automobiles
- b) Cement

- c) Chemicals
- d) Construction
- e) Textiles
- f) Glass
- g) Metals (aluminium, copper, zinc, steel, etc.)
- h) Paper
- i) Mining and minerals

➤ **REGULATED SECTORS:**

- Overall **turnover exceeds ₹50 crores**, and the aggregate turnover of products/services under cost records is **₹25 crores or more**.

➤ **NON-REGULATED SECTORS:**

- Overall **turnover exceeds ₹100 crores**, and the aggregate turnover of products/services under **cost records is ₹35 crores or more**.

➤ **EXEMPTIONS FROM COST AUDIT**

- a) Companies in sectors like **banking, insurance, and NBFCs** are exempt from cost audit requirements because these sectors are regulated by their respective sectoral regulators, and their financial operations are already subject to stringent oversight and audit requirements.
- b) The requirement for cost records under these rules shall not be applicable to a company which is classified as a **MSME** including as per the turnover criteria under **Section 7(9) of the MSME Development Act, 2006**.
- c) Companies **generating electricity for captive consumption are exempt** from cost audit because their operations are typically small-scale and focused on internal use, making a detailed cost audit unnecessary.
- d) The requirement for cost audit under these rules shall not be applicable to a company covered under the Rules if revenue from exports (in foreign exchange) **exceeds 75% of its total revenue** OR if it is operating from a **special economic zone (SEZ)**.