



## **Brief Notes on Cost Records and Cost Audit**

**Applicability : Companies**

**Compliances Covered : Companies Act, 2013 and rules therein**

**Financial Year : 2023-24**

**“Thank God for many things happening and also for not having some things”.**

**“शुक्रिया है खुदा का, बहुत कुछ होने के लिए और कुछ चीजे न होने के लिए भी”**

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## Maintenance of Cost Records and applicability of Cost Audit

### Introduction:

Section 148 of the Companies Act, 2013 and Companies (Cost Records and Audit) Rules, 2014 contains the provisions relating to the cost records and applicability of cost audit. The salient feature of section 148 and the rules made thereunder are as follows–

- Section 148 (1) empowers the Central Government to direct the companies specified in the production of goods or provisions of service to include particulars relating to utilization of material or labour or other items of cost in the books of accounts of the company;
- Section 148 (2) empowers the Central Government to direct, based on the net worth or turnover of the company, audit of cost records of the specified class of companies;
- Rule 2 (e) of the Companies (Cost Records and Audit) Rules, 2014 define 'cost records' which means books of account relating to the utilization of materials, labour and other items of cost as applicable to the production of the goods or provision of services as provided in section 148 of the Act and the Companies (Cost Records and Audit) Rules
- Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 contains Table A and Table B pertaining to the list of specified companies, which needs to maintain the cost records, Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 contains the provisions relating to the companies which are liable to get their cost records audited;
- Cost audit shall be conducted by the cost accountant who is appointed by the Board;

### Applicability of Cost Audit:

Cost audit applicability provisions are contained under rule 4 of the Companies (Cost Records and Audit) Rules, 2014. According to the said rule 4, the cost audit is applicable in the following situation –

- Ever Company specified in item (A) of rule 3 having Overall annual total turnover of the company from all the products/services during immediately preceding financial year is INR 50 Crore or more and aggregate turnover from the individual product/service for which cost records are required to be maintained is INR 25 Crore or more.
- Ever Company specified in item (B) of rule 3 specified having overall annual total turnover of all the products/services immediately preceding financial year should be INR 100 Crore or more and aggregate turnover from the individual product/service for which cost records are required to be maintained should be INR 35 Crore or more.

## Provisions regarding maintenance of Cost Records and applicability of Cost Audit

Sr. No.	Maintenance of Cost Records	Applicability of Cost Audit								
1.	<table><tr><th>Regulated Sectors(Item A)</th><th>Non-Regulated Sectors (Item B)</th></tr><tr><td colspan="2">Overall Annual Turnover from all its products and services = 35 Crore or more</td></tr></table> <b>Regulated Sectors(Item A)</b> = 6 sub items <b>Non-Regulated Sectors (Item B)</b> = 33 sub items	Regulated Sectors(Item A)	Non-Regulated Sectors (Item B)	Overall Annual Turnover from all its products and services = 35 Crore or more		<table><tr><th>Regulated Sectors (Item A)</th><th>Non-Regulated Sectors (Item B)</th></tr><tr><td>Overall Annual Turnover from all its products and services = 50 Crore or more  <b>&amp;</b> Aggregate Turnover of the Individual product or products or services = 25 Crore or more</td><td>Overall Annual Turnover from all its products and services = 100 Crore or more  <b>&amp;</b> Aggregate turnover of the individual product or products or services = 35 Crore or more</td></tr></table>	Regulated Sectors (Item A)	Non-Regulated Sectors (Item B)	Overall Annual Turnover from all its products and services = 50 Crore or more  <b>&amp;</b> Aggregate Turnover of the Individual product or products or services = 25 Crore or more	Overall Annual Turnover from all its products and services = 100 Crore or more  <b>&amp;</b> Aggregate turnover of the individual product or products or services = 35 Crore or more
Regulated Sectors(Item A)	Non-Regulated Sectors (Item B)									
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Regulated Sectors (Item A)	Non-Regulated Sectors (Item B)									
Overall Annual Turnover from all its products and services = 50 Crore or more  <b>&amp;</b> Aggregate Turnover of the Individual product or products or services = 25 Crore or more	Overall Annual Turnover from all its products and services = 100 Crore or more  <b>&amp;</b> Aggregate turnover of the individual product or products or services = 35 Crore or more									

Sr. No.	Appointment of Cost Auditor(Original)	Appointment of Cost Auditor (Casual vacancy)
1	Appointing Authority      Board of Directors	Appointing Authority      Board of Directors
2	Appointment to be made      Within 180 days of commencement of the financial year	Appointment to be made      Within 30 days of occurrence of such vacancy
3	Form to be used      CRA-2	Form      CRA-2

### Name and purpose of forms

Sr. No.	Name	Description of form	Submitted by	Submitted to	Due Date
1.	Form CRA-1	Maintenance of cost records	Not required	Not required	Not Applicable [Maintained all time]
2.	Form CRA-2	Intimation of appointment of cost auditor by the company to Central Government	Company	Central Government	Within 30 days of the Board meeting or Within 180 of the commencement of the financial year, whichever is earlier,
3.	Form CRA-3	Cost Audit Report	Cost Auditor	Company	Within 180 days from the closure of the financial year
4.	Form CRA-4	Filing of Cost Audit Report with the Central Government	Company	Central Government	30 days from the date of receipt of a copy of the cost audit report

**Cost Records:** Rule 2(e) of Companies (Cost Records and Audit) Rules, 2014

**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;

Requirement of maintenance of Cost Records shall not apply to a company which is classified as a micro enterprise or a small enterprise including as per the turnover criteria under sub-section (9) of section 7 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006).

**Non Applicability of Cost Audit:** Rule 4 (3) of Companies (Cost Records and Audit) Rules, 2014

- 1) whose revenue from exports, in foreign exchange, exceeds seventy five per cent of its total revenue; or
- 2) Which is operating from a special economic Zone.
- 3) Which is engaged in generation of electricity for captive consumption through Captive Generating Plant.

**For this purpose, the term “Captive Generating Plant”** shall have the same meaning as assigned in rule 3 of the Electricity Rules, 2005.

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