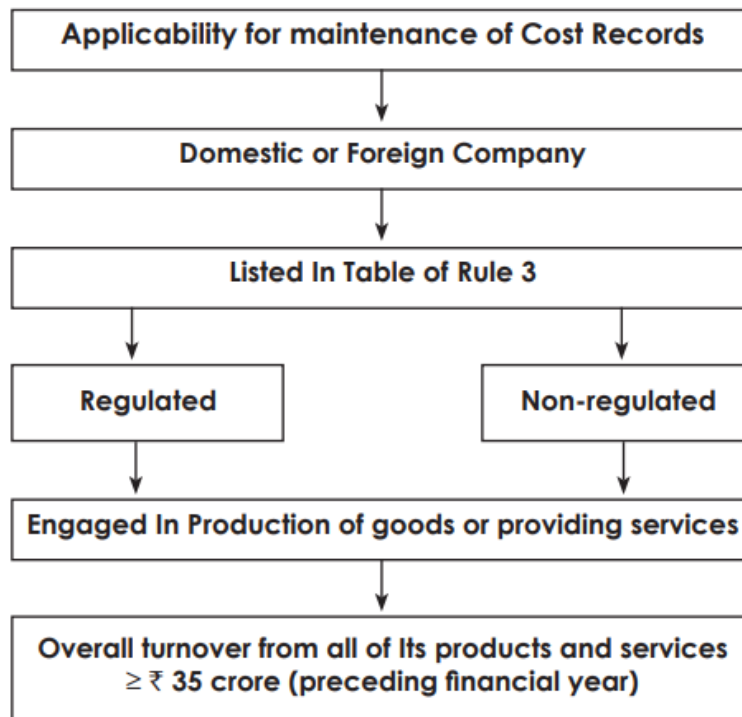


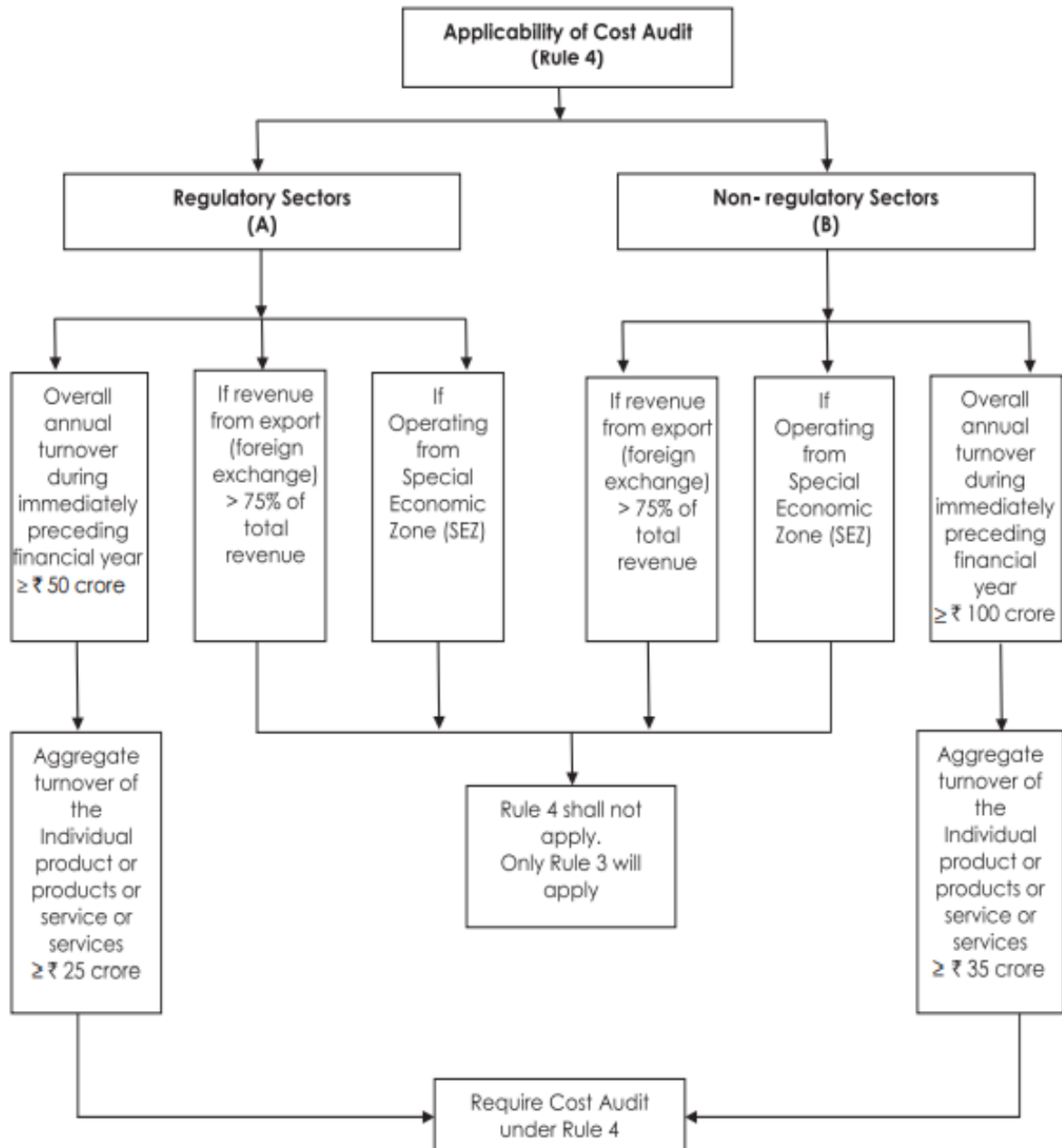
## COMPANIES (COST RECORDS AND AUDIT) RULES, 2014

### Rule 3: Applicability for Maintenance of Cost Records



### Rule 4: Applicability for Cost Audit

For regulated sectors like Telecommunication, Electricity, Petroleum and Gas, Drugs and Pharma, Fertilizers and Sugar, Cost audit requirement has been made subject to a turnover based threshold of ` 50 crores for all product and services and ` 25 crores for individual product or services. For Non-regulated sector the threshold is ` 100 crores and ` 35 crores respectively.

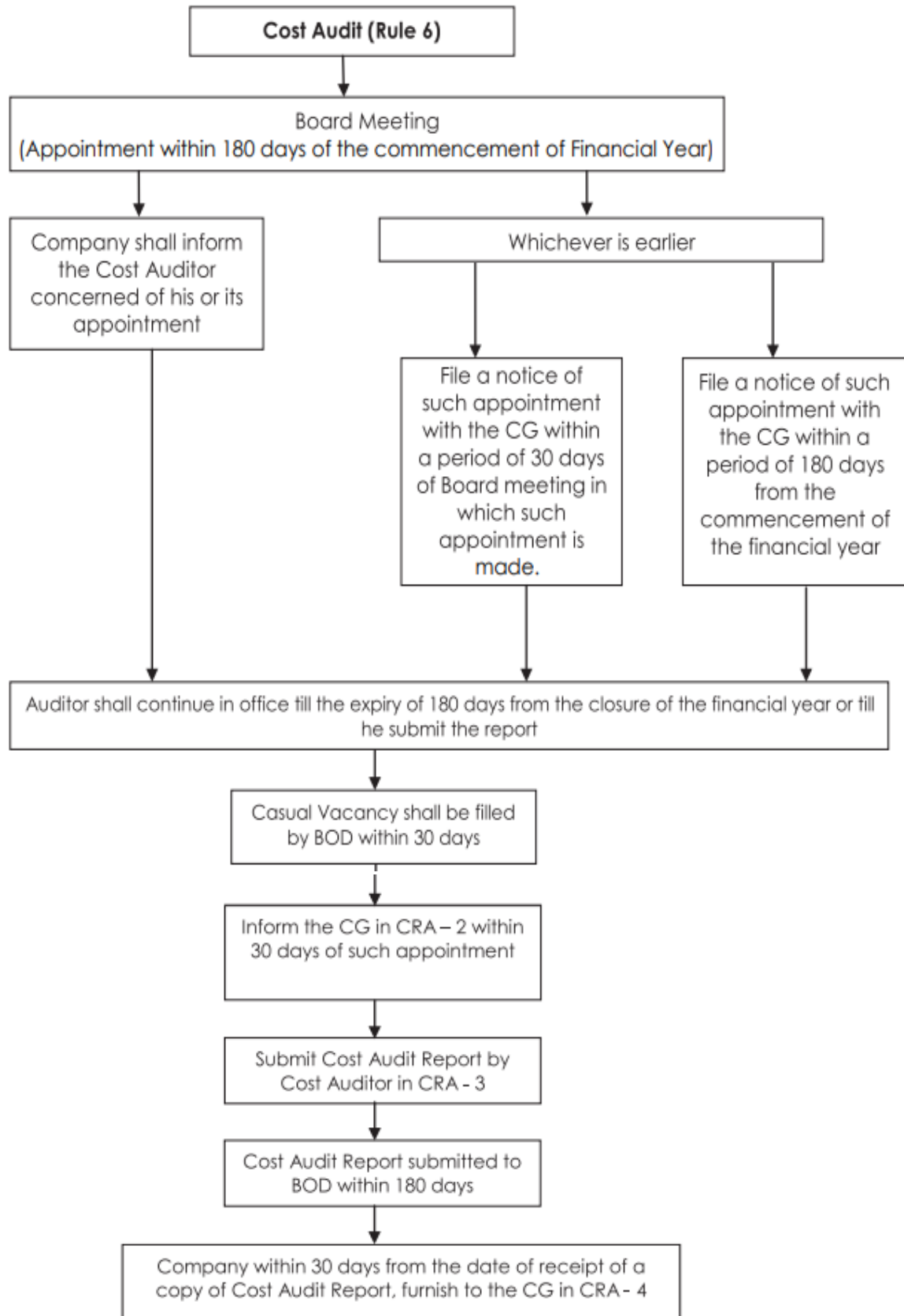


### **Rule 5: Maintenance of Cost Records and Exemption**

The requirement to maintain cost records in Form CRA-1 have been postponed to Financial Year 2015-16 for the following companies in some non-regulated sectors, namely; Coffee and Tea, Milk Powder and Electricals and electronic machinery.

### **Rule-6: Cost Audit**

Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal to 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.



**Sec. 148. Central Government to specify audit of items of cost in respect of certain companies**

(1) Notwithstanding anything contained in this Chapter, the Central Government may, by order, in respect of such class of companies engaged in the production of such goods or providing such services as may be prescribed, direct that particulars relating to the utilisation of material or labour or to other items of cost as may be prescribed shall also be

included in the books of account kept by that class of companies:

Provided that the Central Government shall, before issuing such order in respect of any class of companies regulated under a special Act, consult the regulatory body constituted

or established under such special Act.

(2) If the Central Government is of the opinion, that it is necessary to do so, it may, by order, direct that the audit of cost records of class of companies, which are covered under

sub-section (1) and which have a net worth of such amount as may be prescribed or a turnover of such amount as may be prescribed, shall be conducted in the manner specified

in the order.

(3) The audit under sub-section (2) shall be conducted by a Cost Accountant in practice who shall be appointed by the Board on such remuneration as may be determined by

the members in such manner as may be prescribed:

Provided that no person appointed under section 139 as an auditor of the company shall be appointed for conducting the audit of cost records:

Provided further that the auditor conducting the cost audit shall comply with the cost auditing standards.

*Explanation.*—For the purposes of this sub-section, the expression “cost auditing standards” mean such standards as are issued by the Institute of Cost and Works Accountants

of India, constituted under the Cost and Works Accountants Act, 1959, with the approval of

the Central Government.

(4) An audit conducted under this section shall be in addition to the audit conducted under section 143.

(5) The qualifications, disqualifications, rights, duties and obligations applicable to auditors under this Chapter shall, so far as may be applicable, apply to a cost auditor appointed

under this section and it shall be the duty of the company to give all assistance and facilities

to the cost auditor appointed under this section for auditing the cost records of the company:

Provided that the report on the audit of cost records shall be submitted by the cost accountant in practice to the Board of Directors of the company.

(6) A company shall within thirty days from the date of receipt of a copy of the cost audit report prepared in pursuance of a direction under sub-section (2) furnish the Central

Government with such report along with full information and explanation on every reservation

or qualification contained therein.

(7) If, after considering the cost audit report referred to under this section and the information and explanation furnished by the company under sub-section (6), the Central

Government is of the opinion that any further information or explanation is necessary, it may

call for such further information and explanation and the company shall furnish the same

within such time as may be specified by that Government.

(8) If any default is made in complying with the provisions of this section,—

(a) the company and every officer of the company who is in default shall be punishable in the manner as provided in sub-section (1) of section 147;

(b) the cost auditor of the company who is in default shall be punishable in the manner as provided in sub-sections (2) to (4) of section 147.

## **MCQ PRACTICE QUESTIONS:**

1. The objective of CAS-1 is-
  - a. Collection, allocation, apportionment and absorption of overheads
  - b. Determination of capacity
  - c. Preparation of cost statement
  - d. Determination of average/equalized transportation cost
  
2. The functions of a cost auditor involve –
  - a. Examining the inventory records
  - b. Capacity utilization
  - c. Proper utilization of labour
  - d. All of the above
  
3. Cost accounting differs financial accounting in respect of:
  - a. Recording Cost
  - b. Ascertaining Cost
  - c. Control of Cost
  - d. Reporting of Cost
  
4. The chief object chief objective of cost accounting is to:
  - a. Earn more profit
  - b. Increase production
  - c. Provide information for management for planning and control
  - d. Fix the price

5. A good costing system gives equal emphasis on cost ascertainment and cost.....
- Reduction
  - Control
  - Maximization
  - None of the above
6. Management Accounting Cost Accounting are..... to each other.
- Complementary
  - Supplementary
  - Opposite
  - Independent
7. Practical difficulty in the installation of a costing system is:
- Lack of support from top management
  - Shortage of trained staff
  - Resistance from existing staff
  - All of the above
8. A PSU company shall within 30 days from the date of receipt of the report of the cost auditor furnish explanation on every reservation or qualification contained therein to:
- The Registrar
  - Central Government
  - The Shareholders

d. The Parliament

9. The social purpose of cost audit is:

- a. Detection of errors and frauds
- b. Facilitating the fixation of price of goods and services
- c. Promoting corporate governance
- d. Inculcation of cost consciousness

10. Every PSU company within a period of 30 days from the date of receipt of cost audit report, furnish to the Central Government with such report full explanation on every reservation or qualification contained in the report in:

- a. Form CRAS
- b. Form CRA-4
- c. Form CRA-5
- d. Form CRA-6

11. Section 148 of the Companies Act, 2013 gives:

- a. No powers to the cost auditor as the financial auditor has u/s 143 of Companies Act, 2013
- b. Same powers to the cost auditor as the Companies Act, 2013 financial auditor has u/s 143 of Companies Act, 2013
- c. More powers to the cost auditor than the financial auditor has u/s 143 of Companies Act, 2013



- d. Lesser powers to the cost auditor than the financial auditor has u/s 143 of Companies Act, 2013

12. Every cost auditor, shall submit the cost audit report along with his or its reservation or qualification or suggestions, if any, in form:

- a. CRA- 1
- b. CRA-2
- c. CRA-3
- d. CRA-4

13. Which of the following statement is not correct?

- a. Cost audit helps to the Government in the fixation of ceiling price of essential commodities
- b. Cost audit helps in improvement if productivity of human, physical and financial resources of the enterprise
- c. The cost auditor submits the report in annual general meeting organized by shareholders
- d. Cost auditor is appointed by the board of directors with the previous approval of the Central Government.

14. Every cost auditor shall forward his duly signed report to the board of directors of the company within a period \_\_\_\_\_ of from the closure of the financial year to which the report relates.

- a. 30 days
- b. 120 days

- c. 90 days
- d. 180 days

15. Maintenance of cost records relating to the utilization of materials labour and other items of cost. In the manner as prescribed by specified class companies engaged in the:

- a. Production of goods only
- b. Providing services only
- c. Production of such goods and providing such services as may be prescribed
- d. Production of such goods or providing such services as may be pre scribed

16. Every cost auditor, who conduct an audit of the cost records of a company, shall submit report in:

- a. General form
- b. Form CRA-1
- c. Form CRA-2
- d. Form CRA-3

17. Which is not a social purpose of cost audit?

- a. Promoting corporate governance
- b. Facilitate in fixation of reasonable prices of goods and services
- c. Improvement of human productivity
- d. Pinpointing areas of inefficiency

18.: \_\_\_\_\_ is concerned with historical records, while \_\_\_\_\_ is concerned with historical cost with pre-determined cost.

- a. Cost Accounting, Financial Accounting
- b. Financial Accounting Cost Accounting
- c. Financial Accounting, Management Accounting
- d. Management Accounting, Cost Accounting

19. Cost Audit Is 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.

Select the correct answer from the options given below

- a. (b) only
- b. Either (a) or (b)
- c. (a) only
- d. Both (a) and (b)

20. The institute of Cost Accountants of India define statutory cost audit as, "A system of audit introduced by the \_\_\_\_\_ for the review, examination and appraisal of the cost accounting records and added information required to be maintained by the specified industries".

- a. Ministry of Corporate Affairs
- b. Government of India
- c. Parliament of India
- d. President

21. As per Rule 3 of the Companies (Cost records & Audit) Rules, 2014, for the Companies, including foreign companies, purposes of Section 148(1), the class of engaged in the production of the goods or providing services, having an overall of turnover from all its products and services of \_\_\_\_\_ during the immediately preceding financial year, shall include cost records for such products or services in their books of account,

- a. 50 Crore or more
- b. 35 Crore or more
- c. 25 Crore or more
- d. 45 Crore or more

22. As per Rule 4 of the Companies (Cost Records & Audit) Rules, 2014, every company specified in item (B) of Rule 3 (i.e., industries in Non-Regulated Sectors) shall get its cost records audited if the overall annual turnover of the company from all its products and services during the immediately preceding financial year is \_\_\_\_\_ and the aggregate turnover of the individual product or service for which cost records are required to be maintained under Rule 3 is \_\_\_\_\_

- a. ₹50 Crore or more: ₹25 Crore or more.
- b. ₹100 Crore or more: ₹200 Crore or more.
- c. ₹100 Crore or more: ₹35 Crore or more
- d. ₹ 60 Crore or more, ₹35 Crore or more

23. Every specified company including all units and branches thereof shall maintain cost records in \_\_\_\_\_ in respect of each financial year.

- a. Form CRA-5
- b. Form CRA-1
- c. Form CRA-4
- d. Form CRA-2

24. Specified category of companies shall within \_\_\_\_\_ of the commencement of every financial year, appoint a cost auditor.

- a. 180 days
- b. 90 days
- c. 100 days
- d. 120 days

25. The cost auditor may be removed from his office before the expiry of his term, through a \_\_\_\_\_ after giving a reasonable opportunity of being heard to the Cost Auditor and recording the reasons for such removal in writing.

- a. Board resolution
- b. Special resolution
- c. Ordinary resolution
- d. Shareholders resolution

26. Every cost auditor, who conducts an audit of the cost records of a company shall submit the cost audit reports along with his or its reservations or qualification or observations or suggestions, if an –

- a. Form CRA-4
- b. Form CRAS
- c. Form CRA-3
- d. Form CRA-6

Answer

1.(c)	2.(d)	3.(d)	4.(c)	5.(b)	6.(b)	7.(d)
8.(b)	9.(b)	10.(b)	11.(b)	12.(c)	13.(c)	14.(d)
15.(d)	16.(d)	17.(a)	18.(b)	19.(d)	20.(b)	21.(b)
22.(c)	23.(b)	24.(a)	25.(a)	26.(c)		