

Brief overview on
Cost Accounting Record Rules 2011,
and Cost Audit Rules 2011

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Cost Audit And Records Maintenance

Highlights - Pre April 2011

Cost records maintenance was mandatory for 44 industries under Sec 209(1) (d)

Central Government used to specially order Cost Audit for select Companies out of 44 industries under Sec 233 (1) B

Auditor to be appointed by the Board and consent of Government to be taken as per procedure laid down in Companies Act (Sec 233B (2)

Auditor to submit his report in the specified format to Central Government with copy to company within 180 days from the closure of FY

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Pre April 2011- Contd

Coverage only for 44 industries

No annual Cost Audit for Companies under 44 industries covered by mandatory Cost records maintenance

Government orders Audit for select Companies

Annual audit may not be there for most of the Companies

Report to be submitted to Central Government

Changes in April 2011

Circular 15/2011 dt 11-4-2011 issued on revised procedure for appointment of Auditors

Company to appoint the Cost Auditor directly

Audit Committee to be the first point of reference for appointment of Auditor .In case Audit Committee is not mandated by Law , the Board of Directors to process the same

Audit Committee to get necessary Certification from the Auditor on not being disqualified and also to ascertain the limits as per Sec 224 (1)-B)

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Changes since April 2011

Company to file application with MCA on appointment of Cost Auditor within 90 days of commencement of financial year with all related documents and fee

Deemed approval if no reply is received from Central Government within 30 days

Company to issue formal letter of appointment to Auditor after the expiry of thirty days

Within thirty days of appointment, Cost Auditor to inform Government in prescribed form

Company's Annual Report to disclose full particulars of Cost Auditor, the due date of filing report and the actual date of filing the report etc.

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Changes made in May 2011

Two Notifications dt 2nd May and 3rd May issued

Fourteen industries brought within compulsory Annual Cost Audit from the FY 2011-12

Order d.t. 2nd May 2011

Applicable for eight industries ie Bulk Drugs, Formulations, Fertilizers, Sugar, Industrial Alcohol ,Electricity Industry, Petroleum Industry and Telecommunications

Made applicable for all Companies whose net worth exceeds Rs 5 crores or annual turnover exceeds Rs 20 crores or equity/ debt securities are listed or in the process of listing

Appointment of Auditor as per Notification dt 11th April and report submission as per earlier time limits

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Changes made in May 2011

Order d.t. 3rd May 2011

Applicable for six industries ie Cement, Tyres & Tubes, Steel Plant, Steel Tubes and Pipes , Paper and Insecticides.

Made applicable for all Companies whose annual turnover exceeds Rs 100 crores or equity/ debt securities are listed or in the process of listing

Appointment of Auditor as per Notification dt 11th April and report submission as per earlier time limits

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Changes made in June 2011

New Cost Accounting Record Rules issued vide Notification dt 3rd June 2011

All earlier Rules superseded except orders dt 2nd & 3rd May 2011
Applicable for fourteen industries

Made applicable for all Companies whose net worth exceeds Rs 5 crores or annual turnover exceeds Rs 20 crores or equity/ debt securities are listed or in the process of listing

As per Rule 4 , Companies to maintain Cost records and Cost statements as per Rules (product wise)

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Changes made in June 2011

Rule 5 mandates all Companies to submit a Compliance Report duly certified by a Cost Accountant

Time limit for submission of Compliance report is 180 days from closure of financial year

Annexure to the Compliance Report is to be authenticated by the Board of Directors

By the definition of manufacturing, processing, mining, production, coverage is extended to almost all industries

Hospitality and Health industries (clarification awaited)

Banking, Insurance industries , prima facie not covered

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Summary of recent changes

Revised procedure for appointment of Cost Auditor vide Circular d.t. 11th April 2011

Eight industries i.e. Bulk Drugs, Formulations, Fertilizers ,Sugar, Industrial Alcohol ,Electricity Industry ,Petroleum Industry and Telecommunications brought under annual cost Audit vide order dt 2nd May 2011 (Companies within threshold limits as per Order)

Six industries i.e. Cement, Tires & Tubes, Steel Plant, Steel Tubes and Pipes , Paper and Insecticides brought under annual cost Audit vide order dt 3rd May 2011 (Companies within threshold limits as per Order)

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Summary of recent changes

Common Record Rules introduced for all other industries satisfying specified criteria for compulsory maintenance of Cost records and filing of Compliance Report vide notification dt 3rd June 2011

Coverage extended to all Companies in almost all segments (>Rs 5 crs net worth / >Rs 20 crs turnover or Listed or being listed) either by way of annual Cost Audit or by way of Compliance Report

THANK YOU

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