

Cost Audit Report Rules, 2001

MINISTRY OF LAW, JUSTICE AND COMPANY AFFAIRS (DEPARTMENT OF COMPANY AFFAIRS)

NOTIFICATION New Delhi, the 27th December, 2001

G.S.R. 924(E).- In exercise of the powers conferred by sub-section (4) of section 233B, read with sub-section (1) of section 227 and clause (b) of sub-section (1) of section 642, of the Companies Act, 1956 (1 of 1956), and in supersession of the Cost Audit (Report) Rules, 1996, except as respect things done or omitted to be done, before such supersession, the Central Government hereby makes the following rules, namely :-

1. Short title and commencement

(1) These rules may be called the Cost Audit Report Rules, 2001.

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

2. Definitions .- In these rules, unless the context otherwise requires,-

(a) "Act" means the Companies Act, 1956 (1 of 1956);

(b) "Cost Auditor" means an auditor directed to conduct an audit under sub-section (1) of section 233B of the Act;

(c) "Form" means the Form of the Cost Audit Report and includes auditor's observations and suggestions, Annexure and Proforma to the Cost Audit Report;

(d) "Report" means Cost Audit Report duly audited and signed by the Cost Auditor in the prescribed form of Cost Audit Report;

(e) "Product under reference" means the product or activity to which the Report relates;

(f) All other words and expressions used in these rules but not defined, and defined in the Act and rules made under clause (d) of sub-section (1) of section 209 of the Act shall have the same meanings as assigned to them in the Act or rules, as the case may be.

3. **Application** – These rules shall apply to every company in respect of which an audit of the cost accounting records has been ordered by the Central Government under sub-section (1) of section 233B of the Act. The Cost Audit Report submitted on or after 1st October, 2002, irrespective of the financial year of the company to which it relates, shall be in the form prescribed under these rules.

4. **Form of the Report** – (1) Every Cost Auditor, who conducts an audit of the cost accounting records of the company shall submit the report (a hard copy and a soft copy) along with auditor's observations and suggestions, Annexure and Proforma to the Central Government in the prescribed form and at the same time forward a copy of the report to the company.

(2) Every Cost Auditor, who submits a report under sub-rule (1), shall also give clarifications, if any, required by the Central Government on the Cost Audit Report submitted by him, within thirty days of the receipt of the communication addressed to him calling for such clarifications.

5. **Time limit for submission of Report** - The Cost Auditor shall forward his report referred to in sub-rule (1) of rule 4 to the Central Government and to the concerned company within

one hundred and eighty days from the close of the company's financial year to which the report relates.

6. Cost Auditor to be furnished with the cost accounting records etc– Without prejudice to the powers and duties the Cost Auditor shall have under sub-section (4) of section 233B of the Act, the company and every officer thereof, including the persons referred to in sub-section (6) of section 209 of the Act, shall make available to the Cost Auditor within one hundred and thirty five days from the close of the financial year of the company, such cost accounting records, cost statements, other books and documents, Annexure and Proforma to the Report, duly completed, as would be required for conducting the cost audit, and shall render necessary assistance to the Cost Auditor so as to enable him to complete the cost audit and submit his report within the time limit specified in rule 5.

7. Authentication of Annexure to the Cost Audit Report .– The Annexure and Proforma prescribed with the Cost Audit Report shall be approved by the Board of Directors before submitting the same to the Central Government by the Cost Auditor. The Annexure and Proforma, duly audited by the Cost Auditor, shall also be signed by the Company Secretary and at least one Director on behalf of the company. In the absence of Company Secretary in the company, the same shall be signed by at least two Directors.

8. Penalties – (1) If default is made by the Cost Auditor in complying with the provisions of rule 4 or rule 5, he shall be punishable with fine, which may extend to five thousand rupees.

(2) If the company contravenes the provisions of rule 6 or rule 7, the company and every officer thereof who is in default, including the persons referred to in sub-rule (6) of section 209 of the Act, shall, subject to the provisions of section 233 B of the Act, be punishable with fine which may extend to five thousand rupees and where the contravention is a continuing one, with a further fine which may extend to five hundred rupees for every day after the first day during which such contravention continues.

9. Saving of action taken or that may be taken for contravention of Cost Audit (Report) Rules, 1996 - It is hereby clarified that the supersession of the Cost Audit (Report) Rules, 1996, shall not in any way affect –

- (i) any right, obligation or liability acquired, accrued or incurred thereunder
- (ii) any penalty, forfeiture or punishment incurred in respect of any contravention committed thereunder
- (iii) any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, and; any such investigation, legal proceeding or remedy may be instituted, continued or enforced and any such penalty, forfeiture or punishment may be imposed as if those rules had not been superseded

FORM OF THE COST AUDIT REPORT

[See rule 2(c) and rule 4]

I/We, having been appointed as Cost Auditor(s) under Section 233B of the Companies Act, 1956 (1 of 1956) of (mention name of the

company) having its registered office at(mention registered office address of the company) (hereinafter referred to as the company), have examined the books of account prescribed under clause (d) of sub-section (1) of section 209 of the said Act, and other relevant records in respect of the unit (mention name and location of the unit) for the period/year (mention the financial year) relating to (mention name of the product or activity) maintained by the company and report, in addition to my/our comments in para 3 relating to auditor's observations and suggestions, that

1.(i) I/We have/have not obtained all the information and explanations, which to the best of my/ our knowledge and belief were necessary for the purpose of this audit;

(ii) proper cost accounting records, as prescribed under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, have/have not been kept by the company;

(iii) proper returns adequate for the purpose of my/our Cost Audit have/have not been received from the branches not visited by me/us;

(iv) the said books and records give/do not give the information required by the Companies Act, 1956 in the manner so required;

(v) the cost statements in respect of product or activity under reference as specified in the Annexures/Proformae of Schedules I, Schedule II or Schedule III of the concerned Cost Accounting Records (**.....) Rules duly audited by me/us are kept in the company.

2. In my/our opinion, the company's cost accounting records have/have not been properly kept so as to give a true and fair view of the cost of production, cost of sales and margin of the product under reference as prescribed under the rules.

3. Based on my/our examination of the records of the company subject to aforesaid qualifications, if any, I/We give my/our observations and suggestions on the following –

(a) the adequacy or otherwise of the cost accounting system including inventory valuation in vogue in the company and suggestions for the improvement thereof. The Cost auditor shall also indicate the persistent deficiencies in the system, pointed out in earlier reports but not rectified;

(b) the adequacy or otherwise of the budgetary control system, if any, in vogue in the company;

(c) matters which appear to him to be clearly wrong in principle or apparently unjustifiable;

(d) cases, where price charged for related party transactions as defined in the respective Cost Accounting Records Rules is different from normal price, impact of such lower/higher price on margin of the product under reference shall be specified;

(e) areas where the company is incurring losses or where there is considerable decline in

profitability, the cost auditor should comment on the reasons thereof including indicative break-even point. The cost auditor shall also comment on the default, if any on the payments due to the Government, financial institutions and banks, penal interest levied thereon and its impact on the cost of sales and profitability;

(f) steps required to strengthen the company under the competitive environment especially with regard to need for protection from cheaper imports, if any;

(g) export commitments of the company vis-à-vis actual exports for the year under review. Also comment on comparative profitability and pricing policy of the company for domestic and export sales. Give impact of exports benefits/ incentives offered by the Government on export profitability;

(h) the scope and performance of internal audit of cost records, if any, and comment on its adequacy or otherwise.

4. The Cost Auditor shall suggest measures for making further improvements in the performance in respect of cost control and cost reduction.

5. The Cost Auditor may also give his other observations and suggestions, if any, relevant to the cost audit.

SIGNATURE & SEAL OF THE COST AUDITOR(S)
MEMBERSHIP NUMBER

Notes:

(1) Delete words not applicable.

(2) **Specify the title of the concerned Cost Accounting Records Rules made under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 which are applicable to the product or activity of the company.

(3) If as a result of the examination of the books of account, the Cost Auditor desires to point out any material deficiency or give a qualified report, he shall indicate the same against the relevant para (i) to (vi) only in the prescribed form of the Cost Audit Report giving details of discrepancies he has come across.

(4) The report, suggestions, observations and conclusions given by the Cost Auditor under this paragraph shall be based on verified data, reference to which shall be made here and shall, wherever practicable, be included after the company has been afforded an opportunity to comment on them.

ANNEXURE TO THE COST AUDIT REPORT

[See rule 2(c) and rule 4]

1. GENERAL:

(1) (a) Name and address of the registered office of the company whose accounts are audited.

- (b) Name and address of the place where the cost accounting records are maintained viz. registered office, head office or factory.
- (2) Name of the product and location of the unit to which the Annexure pertains.
- (3) The Company's financial year to which the Cost Audit Report relates.
- (4) Date of first commencement of commercial production of the product under reference.
- (5) Location of other sites manufacturing or producing or processing or mining the product or carrying out the activity under reference.
- (6) Name and address of the Cost Auditor.
- (7) Membership number of the Cost Accountant. In case of firm of Cost Accountants, name and membership number of all the partners.
- (8) Reference number and date of Government Order under which the Audit is conducted.
- (9) Reference number and date of the Government letter approving the appointment of the Cost Auditor.
- (10) Date of Board of Directors' meeting wherein the Annexure and Proforma to the cost audit report were approved.
- (11) The number of Audit Committee meetings held by the company, and attended by the Cost Auditor during the year under reference.
- (12) Name, qualification and designation of the officer heading the cost accounting section or department of the company.
- (13) In case of loan license/ job work arrangement by the company, mention the name of the third party and location of the factory, where the product has been produced/manufactured.
- (14) If there is any foreign technical collaboration for the product under reference, the following details shall be given:
- (a) name and address of the foreign collaborators;
- (b) main terms of agreement ;
- (c) amount of royalty, lump sum payment, technical aid fee payable and the basis of calculating the same;
- (d) whether the technical collaborator has contributed to the share capital. If so, the paid up share capital so held.
- (15) If the company is engaged in other activities besides the manufacture of the product under reference, the following details in respect of each such product or activity shall be given:
- (a) list of the products or activities;
- (b) list of the products or activities for which Cost Accounting Records Rules have been prescribed under section 209(1)(d) of the Act.;
- (c) whether Cost Audit Order has been issued by the government in respect of any of the products or activities. If so, number and date of the order.
- (16) A printed copy of the Annual Report, containing audited Profit and Loss Account, Balance Sheet and Auditor's Report in respect of the company's financial year for which the report is rendered, shall be enclosed with the Cost Audit Report.

2. COST ACCOUNTING SYSTEM:

- (1) Briefly describe the cost accounting system existing in the company, keeping in view the requirements of the Cost Accounting Records Rules applicable to the class of companies manufacturing the product under reference and also its adequacy or otherwise

to determine correctly the cost of production, cost of sales, sales realisation and margin of the product under reference.

(2) Briefly specify the changes, if any, made in the costing system; basis of inventory valuation; method of overhead allocation; apportionment to cost centers/departments and final absorption to the product under reference etc., during the current financial year as compared to the previous financial year.

3. PROCESS OF MANUFACTURE:

A brief note regarding the process of manufacture along with flow chart covering production, utility and service department of the product.

4. QUANTITATIVE DETAILS:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Installed capacity *			
2. Capacity enhanced during the year by leasing arrangement etc.			
3. Total available capacity			
4. Production during the year:			
(a) self manufactured			
(b) third party on job work etc.			
(c) loan license basis			
5. Total production quantity			
6. Production as per Excise Records			
7. Capacity utilisation percentage			
8. Opening stock (finished quantity)			
9. Total available quantity			
10. Quantity captively consumed			
11. Quantity sold:			
(a) domestic at controlled price			
(b) domestic at market price			
(c) export under advance license			
(d) export under other obligation			
(e) export at market price			
(f) total			
12. Closing stock (finished quantity)			

Notes :

1. It should be clarified whether the installed capacity is on single shift or multiple shift basis.
2. In order to have a meaningful comparisons of production and installed capacity, wherever necessary these details should also be expressed in appropriate units, e.g. standard hours or equipment/ plant/ vessel occupancy

hours, crushing hours, spindle/ loom shifts, equivalent production, production in terms of standard hours etc.

Particulars	Current Year			Two Previous Years Separately		
	Qty.	Rate	Amount	Qty.	Rate	Amount
1. Indigenous:						
(a) (specify)						
(b)						
(c)						
2. Self manufactured:						
(a) (specify)						
(b)						
(c)						
3. Imported:						
(a) (specify)						
(b)						
(c)						
4. Total						

Note : Details should be furnished in respect of major input materials each constituting at least 2% of the total raw material cost.

5(B). STANDARD/ ACTUAL CONSUMPTION OF INPUT MATERIALS PER UNIT:

Particulars	Unit	Standard	Actuals		
			Current Year	1st Previous Year	2nd Previous Year
1. (specify)					
2.					
3.					

Note : Details should be furnished in respect of major input materials each constituting at least 2% of the total raw material cost for each major type/ variety/ size etc. of product under reference.

6. BREAK-UP OF COST OF INPUT MATERIALS IMPORTED DURING THE YEAR:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. FOB Price in foreign currency/ rupees			
2. Insurance & freight			
3. Customs duty			
4. Clearing charges			
5. Inland freight			
6. Other expenses			
7. Total			

Note: Details should be furnished in respect of major input materials each constituting at least 2% of the total material cost.

7 (A). POWER, FUEL AND UTILITIES:

Particulars	Current Year			Two Previous Years Separately		
	Qty.	Rate	Amount	Qty.	Rate	Amount
1. Indigenous (purchased):						
(a)(specify)						
(b)						
(c)						
Self generated/ produced:						
2.(a)(specify)						
(b)						
(c)						
Imported:						
3.(a)(specify)						
(b)						
(c)						
4. Total						

Note : Details should be furnished in respect of major items each constituting at least 2% of the total material cost.

7 (B). STANDARD/ ACTUAL CONSUMPTION OF POWER, FUEL AND UTILITIES IN TERMS OF QUANTITY PER UNIT OF PRODUCTION:

Particulars	Unit	Standard	Actuals		
			Current Year	1st Previous Year	2nd Previous Year
1. (specify)					
2.					
3.					

8. SALARIES AND WAGES:

Particulars	Current Year	1st Previous Year	2nd Previous Year
A. Quantitative Details :			
1. Direct Workers:			
a. Average number during the year			
b. Man days available			
. Mandays actually worked for:			
(i) own production			
(ii) job work			
d. Reason-wise analysis of idle man-days (a-b)			

- i) absenteeism
- ii) shortage of raw materials
- iii) power shortage/ failures
- iv) Others (specify)

2. Indirect Workers :

- a. Average number during the year
- b. Man days available
- c. Mandays actually worked for:
 - (i) own production
 - (ii) job work
- d. Reason-wise analysis of idle man-days (a-b)
 - i) absenteeism
 - ii) shortage of raw materials
 - iii) power shortage/ failures
 - iv) Others (specify)

B. Cost Detail :

- 1. Direct labour cost on production
- 2. Indirect employee costs on production
- 3. Employee costs on administration
- 4. Employee costs on selling and distribution
- 5. Other employees costs, if any (specify)
- 6. Total employee costs
- 7.a. Payments under any VRS scheme
- 7.b. Amount provided during the year

9. REPAIRS AND MAINTENANCE:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Land and Building			
2. Plant and machinery			
3. Staff quarters and colony			
4. Others (to be specified asset category-wise)			
5. Total amount			
6. Amount capitalized/ deferred during the year			
7. Net amount (5-6)			
8. Deferred amount of earlier years, if any			
9. Total amount provided in the cost records (7+8)			

10. FIXED ASSETS REGISTER AND DEPRECIATION:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Whether fixed assets register maintained cost centre-wise			
2. Method of providing depreciation			

3. Amount of depreciation under section 205(2) of the Companies Act, 1956 or any other relevant Act, as the case may be			
4. Amount of depreciation provided in the financial records			
5. Amount of depreciation absorbed in the cost records *			
6. Shortfall / Excess, if any (3 and 5)			

Note : The impact of re-valuation of assets, if any, shall not be included.

11. GROSS BLOCK, DEPRECIATION AND LEASE RENT:

Particulars	Gross Block	Depre- ciation	Lease Rent paid, if any	Total(b+c)	1st Previous Year	2nd Previous Year
	a	b	c	d		
Name of major cost centers/ products:						
(a) (specify)						
(b)						
Total						

Note : Excluding gross block of assets given on lease, if any.

12.OVERHEADS:

Particulars	Current Year		Two Previous Years Separately
	for the product under reference	for factory as a whole	for the product under reference
			for factory as a whole
1.Factory Overheads			
a) (specify)			
b)			
2.Administration OHs			
a) (specify)			
b)			
3.Selling Overheads			
a) (specify)			
b)			
4.Distribution OHs			
a) (specify)			
b)			

Note :The break-up under each head should be furnished in respect of major items constituting at-least 80% of the overhead cost under each head.

13. RESEARCH AND DEVELOPMENT EXPENSES:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Process development and improvement			
2. Existing product development			

3. New product development			
4. Others, if any			
5. Total amount			
6. Amount capitalized/ deferred during the year			
7. Net amount (5-6)			
8. Deferred amount of earlier years, if any			
9. Total amount provided in the cost records (7+8)			
10. Amount paid to related parties			

14.ROYALTY AND TECHNICAL KNOW HOW CHARGES:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Royalty on production/ Sales			
2. Lump sum payment of royalty, if any			
3. Technical know how charges			
4. Others, if any			
5. Total amount			
6. Amount capitalized/ deferred during the year			
7. Net amount (5-6)			
8. Deferred amount of earlier years, if any			
9. Amount provided in the financial accounts (7+8)			
10. Amount absorbed in the cost records			
11. Shortfall/ Excess, if any			
12. Amount paid to related parties			

Note : The details should be furnished in respect of each agreement separately.

15. QUALITY CONTROL EXPENSES:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. ISO number, if any			
2. Name of certifying agency			
3. Salaries & Wages			
4. Other direct expenses			
5. Others, if any (specify)			
6. Total amount			

16. POLLUTION CONTROL EXPENSES:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Effluent treatment			
2. Control of air pollution			

3. Control of ash pound/ ash mound			
4. Penalty, if any			
5. Others, if any			
6. Total amount			

17.ABNORMAL NON-RECURRING COSTS:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. (specify)			
2.			
3.			
Total			

18.(A) NON-MOVING STOCK (at the end of the year) :

Particulars	Current Year	1st Previous Year	2nd Previous Year
a1.Total direct material consumption			
a2.Closing stock of direct material			
a3. Value of non-moving stock			
a4. Percentage of a3 to a2			
b1.Total indirect material consumption			
b2.Closing stock of indirect material			
b3.Value of non-moving stock			
b4. Percentage of b3 to b2			
c1.Work-in-progress			
c2.Closing stock			
c3.Value of non-moving stock			
c4.Percentage of c3 to c2			
d1.Finished Goods			
d2.Closing stock			
d3.Value of non-moving stock			
d4.Percentage of d3 to d2			
e1.Total :			
e2.Closing stock			
e3.Value of non-moving stock			
e4.Percentage of e3 to e2			

18.(B) WRITTEN OFF STOCK (during the year) :

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Direct Materials (Raw Material & Components etc)			

2. Indirect Materials				
3. WIP				
4. Finished Goods				
5. Total				

19.(A) INVENTORY VALUATION (at the end of the year) :

Particulars	Basis of valuation	Current Year			Previous Year		
		Quantity(unit)	Rate(Rs)	Amount(Rs.)	Quantity(unit)	Rate(Rs)	Amount(Rs.)
1. Input material:							
(i) Purchased							
- Indigenous							
- Imported							
(ii)Self manufactured							
2. Chemicals, additives and consumables							
3. Stores and spares							
4. Packing materials							
5. Tools and implements and Jigs, Dies and Fixtures.							
6. Work-in-progress:							
(i) material cost							
(ii)conversion cost (details to be given)							
7. Finished goods:							
(i) unpacked							
(ii) packed							
8. Scrap/wastage							
9. Others, if any							
10.Total value of inventory as per cost accounts							
11. Total value as per financial accounts							
12. Reasons for major differences, if any							

Notes :

(1)In respect of item at Sr. No. 1 and 6 details be furnished in respect of each major input material constituting at least 2% of the total material cost.

(2)In respect of items at Sr. No. 2 to 5, total amount be given without any quantitative details.

(3)Give in brief the method of inventory valuation system indicating the elements of cost included therein and the extent thereof.

(4)Capital work-in-progress to be shown separately.

19.(B)PHYSICAL VERIFICATION OF INVENTORY :

Sr. No.	Particulars	Periodicity of verification	Shortage Value (Rs.)	Excess Value (Rs.)	Net (Rs.)
1	Raw material				
2	Chemicals, additives, consumables etc.				
3	Stores & Spares				
4	Packing Materials				
5	Tools & Implements				
6	WIP				
7	Finished Goods				
8	Scrap, Wastage				
9	Total				

20. SALES OF THE PRODUCT UNDER REFERENCE:

Particulars	Current Year			Previous Year		
	Qty.	Rate	Amount	Qty.	Rate	Amount
1. Purchased goods :						
a) (specify)						
b)						
2. Loan license basis:						
a) (specify)						
b)						
3. Own manufactured:						
a) (specify)						
b)						
4. Total sales						

Notes :

(1) Above details shall be furnished for major product groups/ varieties.

(2) Separate details shall be furnished for indigenous sales and export sales.

21.MARGIN PER UNIT OF OUTPUT:

Particulars	Current Year			Two Previous Years Separately		
	Cost of Sales	Sales realisation	Margin (Rs.)	Cost of Sales	Sales realisation	Margin (Rs.)
1. Purchased goods :	(a) (specify)	(b)	(c)			
2.Loan license basis :	(a) (specify)	(b)	(c)			
3.Own manufactured:	(a) (specify)	(b)	(c)			

Notes :

(1) Above details shall be furnished for major product groups/ varieties.

(2) Separate details shall be furnished for margin on indigenous sales and export sales. Where the product (such as sugar, bulk drugs, formulations, etc.) is sold at different prices in accordance with government policy, sales realisation and margin on such product at different prices shall be shown separately alongwith quantity and value.

22. COMPETITIVE MARGIN AGAINST IMPORTS:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Name of product			
2. Estimated demand of the product in the country *			
3. Total production in the country *			
4. Quantities imported in the country **			
5. Total production by the company			
6. %age share of the company in total inland production (item 5/ item 3)			
7. a. Cost of production per Unit (Inland sale)			
b. Cost of Sale per Unit (Inland sale)			
c. Cost of production per Unit (Export sale)			
d. Cost of Sale per Unit (Export sale)			
8. Quantity of the product imported by the company **			
9. FOB value of quantity imported by the company **			
10. Weighted average FOB rate for quantities imported by the company (item 9/ item 8) **			
11. FOB value of quantity imported in the country **			
12. Weighted average FOB rate of quantities imported in the country (item 11/ item 4) **			
13. Competitive margin (item 12 less item 7(A)) **			
14. Major exporting countries (other than those listed in item 4 above)			
15. (A) Total import duty paid by the company (net of CENVAT)			
(B) Weighted average rate of import duty paid by the company (net of CENVAT) (item 15(A)/ item 8)			
16. Bound rate of duty under WTO agreement.			

Notes: (1) * Indicate the source of information.

(2) ** Country-wise details should be furnished in respect of major countries covering at-least 80% of the total and balance should be shown under the head "Others".

23. VALUE ADDITION AND DISTRIBUTION OF EARNINGS :

Particulars	Current Year	1st Previous Year	2nd Previous Year
A. Value Addition (for the product under reference):			
1. Gross sales (excluding returns)			
2. Less: excise duty etc.			
3. Net sales			
4. Adjustments in stocks			

5. Less: cost of bought out materials and services			
6. Value added			
7. Add: income from any other sources			
8. Earnings for distribution			
B. Distribution of earnings to:			
1. Employees as salaries and wages, retirement benefits etc.,			
2. Shareholders as dividend			
3. Retained funds as depreciation etc.,			
4. Government as taxes (specify)			
5. Others, if any (specify)			
6. Total			

24. FINANCIAL POSITION AND RATIO ANALYSIS :

Sr.No.	Particulars	Current Year			Two Previous Years Separately		
		Product under reference	Factory as a whole	Company as a whole	Product under reference	Factory as a whole	Company as a whole
1	Capital employed						
2	Net Worth						
3	Profit						
4	Net Sales						
5	Operating expenses as a percentage of Net Sales: (a) Material cost (b) Factory overheads (c) Royalty on production, if any (d) Salaries & wages (e) Research and development expenses (f) Quality control (g) Administrative overheads (h) Selling & distribution (i) Interest						
6	Profit as %age of capital employed						
7	Profit as %age of net worth						
8	Profit as %age of net sales						
9	Profit as %age of value addition						
10	Value addition as a %age of Net Sales						
11	Current assets to current liabilities						
12	Net working capital in terms of number of months of cost						

	of sales excl. depreciation.
13	Debt-equity ratio
14	Raw materials stock in terms of number of months of consumption
15	Stores & spares stock in terms of number of months of consumption
16	Work-in-progress stock in terms of number of months of cost of production
17	Finished goods stock in terms of number of months of cost of sales.

Notes :

- (1) Figures given for the company as a whole against serial number 1, 2, 3 and 4 shall be, duly reconciled with the financial accounts of the company
- (2) The figures given for the product against serial number 1, 2, 4 and 5 shall be, duly reconciled with the cost accounts of the company.
- (3) Figures given for the factory as a whole against serial number 1, 3, and 4 shall be, duly reconciled with the financial accounts of the company.

25. CAPITALISATION OF REVENUE EXPENDITURE:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Raw Materials:			
(a) Purchased			
- Indigenous			
- Imported			
(b) Self manufactured			
2. Direct wages & salaries			
3. Consumable stores			
4. Repairs & maintenance			
5. Depreciation			
6. Factory overheads			
7. Administration overheads			
8. Other expenses (specify)			
9. Total			
10. Capitalisation – Excisable value			
11. Capitalisation – Non Excisable value			

26. RELATED PARTY TRANSACTIONS:

Briefly describe the transfer pricing policy, followed by the company in respect of “related party relationship” as defined in the relevant cost accounting records rules made under clause (d) of sub-section (1) of section 209 of the Act. The following particulars may be furnished with regard to related party transactions :

Particulars of related party	Product/ activity	Quantity	Rate	Amount	Normal Price
1					
2					
3					
4 etc					

Note: (1) Details should be furnished for sale and purchase transactions separately.

27. CENTRAL EXCISE RECONCILIATION FOR THE PRODUCT UNDER REFERENCE :

Particulars	Chapter Heading	Chapter Heading	Chapter Heading
A QUANTITATIVE DETAILS :	Unit	Unit	Unit
1 Opening Stock			
2 Add : Production			
3 Less : Closing Stock			
4 Total Sales / Clearances			

Particulars	Assessable Value (Rs.)	Rate of Duty	Amount of Duty (Rs.)
B DETAILS OF CLEARANCES :	Unit	Unit	Unit
1 Total Clearances (Chapter heading-wise)			
2 Less : Duty Free Clearances (factory)			
3 Excisable Clearances (factory)			
4 Penalty / Fine / Interest payable if any			
5 Total Duty Payable (total 3 & 4)			

Particulars	Inputs	Capital Goods	Total
C SUMMARY OF CENVAT CREDIT	Unit	Unit	Unit
1 Opening Balance			
2 Add : Availed During the year			
3 Add Refunds received during year			
4 Less : Closing Balance as per Excise Records			
5 Total Cenvat credit utilised during the year (1+2+3-4)			
6 Closing Balance as per Annual Accounts			
7 Difference between 4 - 6			
8 (State amount and reasons for difference)			

Particulars	Amount (Rs.)

D RECONCILIATION OF DUTY PAID

- 1 Excise Duty Payable as per 'B'
- 2 Total Excise Duty paid through
 - a) Cenvat Account -(Inputs)
 - b) Cenvat Account -(Capital Goods)
 - c) P.L.A.
 Total (a+b+c)
- 3 Difference between (1-2)
- 4 (State amount and reasons for difference)
- 5 Excise Duty as per RT – 12
- 6 Difference between (2-5)
- 7 (State amount and reasons for difference)

E RECONCILIATION OF DUTY PAID AND RECOVERED :

- 1 Excise Duty paid as per P & L A/c
- 2 Excise Duty Recovered as per P & L A/c
- 3 Difference between duty paid and recovered
- 4 (State amount and reasons for difference)

F RECONCILIATION OF TURNOVER

- 1 Turnover as per RT 12
- 2 Turnover as per Annual Accounts (Net off Duties & Taxes)
- 3 Difference between (1- 2)
- 4 (State amount and reasons for difference)

28. PROFIT RECONCILIATION:

Particulars	Current Year	1st Previous Year	2nd Previous Year
1. Profit or Loss as per cost accounting records			
2. Add: Incomes not considered in cost accounts:			
(a) (specify)			
(b)			
(c)			
3. Less: Expenses not considered in cost accounts:			
(a) (specify)			
(b)			
(c)			
4. Add: Overvaluation of closing stock in financial accounts			
5. Add: Under-valuation of opening stock in financial accounts			
6. Less: Under-valuation of closing stock in financial accounts			
7. Less: overvaluation of opening stock in financial accounts			
8. Adjustment for others, if any (specify)			
9. Profit or Loss as per financial accounts			

Explanation: - for the purpose of these rules,-

(a) **"CAPITAL EMPLOYED"** means average of fixed assets at net book values (excluding intangible assets, effect of revaluation of fixed assets, capital works-in-progress) and current assets minus current liabilities and provisions existing at the beginning and close of the financial year.

(b) **"NET WORTH"** means share capital plus reserves and surplus (excluding revaluation reserve) less accumulated losses and intangible assets.

(c) **"PROFIT"** means operating profit after providing for depreciation and all other expenses except interest on borrowings including debentures but before providing for taxes on income.

(d) **"NET SALES"** means sales excluding sales returns, excise duties, sales tax, octroi, other local taxes and expenses refundable/recoverable from buyers/customers.

(e) **"VALUE ADDITION"** means the difference between the net output value (net sales adjusted for work-in-progress and finished goods stock) and cost of bought out materials and services for the product under reference.

(f) **"NON MOVING STOCKS"** means value of raw materials and components, finished and semi-finished which have not moved for more than twelve months. The period shall be twenty four months in case of consumable stores and spare used in workshop, tool rooms or repairs and maintenance.

(g) **"NORMAL PRICE"** means price charged for comparable and similar products in the ordinary course of trade and commerce where the price charged is the sole consideration of sale and such sale is not made to a related party.

NOTES :-

- (1) If there is any change in the share capital due to merger, acquisition, buy back of shares, bonus issue etc. during the year under reporting, special mention may be made with the reasons therefor.
- (2) The profit arrived at for the factory, company and the product shall not include interest and dividend received on investments outside the business, capital gains, and any other income which is neither normal nor of recurring nature. The profit so arrived shall be the normal operating profit earned during the current financial period of the company.
- (3) Wherever, there is any significant variation in the current year's figure over the previous year's figure, reasons thereof shall be given.
- (4) If the company has more than one factory producing the product under reference, separate details shall be indicated in the prescribed annexures in respect of each factory.

(5) If the factory is engaged in the production of the product under reference and any other activities, separate details shall be indicated in the prescribed annexure for the factory as a whole and for the product under reference.

(6) Figures shall be given for the year under audit and for the two preceding years in respect of paragraphs 4 to 26

Signature	Signature	Signature
Name	Name	Name
Cost Auditor	Company Secretary	Director
Seal	Stamp	Stamp
Date	Date	Date

Proforma

Name of the company :

Name and address of the factory :

Name of the product :

Statement showing the cost of production, cost of sales, sales realisation and margin in respect of the product(s) under reference produced during the year/period :

A. Quantitative Information:

Sr. No	Particulars	(unit of measurement to be specified)	
		Current Year	Previous Year
1	(i) Installed capacity (ii) Capacity enhanced during the year by leasing arrangement etc.		
2	Actual production / output : (i) Self; (ii) third parties, if any;		
3	Production as percentage of installed capacity		
4	Captive consumption, if any		
5	Quantity sold (a) Domestic (b) Export		
6	Closing Stock (finished goods)		
7	Opening Stock (finished goods)		

B. Cost Information:

Sr.No.	Particulars	Quantity	Rate-per-unit	Amount	Cost per unit

	Unit	(Rs.)	(Rs.)	Current Year(Rs.)	Previous Year (Rs.)
1	Material consumed : (item-wise covering at least 80% of items by value)				
	1. Purchased :				
	(a) Indigenous (specify)				
	(b) Imported (specify)				
	2. Self manufactured (specify)				
2	Process chemicals (specify)				
3	Utilities				
	1. Purchased :				
	(a) Indigenous (specify)				
	(b) Imported (specify)				
	2. Self manufactured (specify)				
4	Direct wages and salaries				
5	Consumable stores and spares				
6	Depreciation				
7	Lease rent, if any				
8	Repairs and maintenance:				
	(a) Building				
	(b) Plant and Machinery				
	(c) Others, if any				
9	Other works overhead				
10	Total Works Overheads (2 to 9)				
11	Royalty, if any				
12	Technical assistance/ know-how fee				
13	Research and development				
14	Quality control				
15	Administrative overhead (relating to production activities)				
	(a)Salaries and wages				
	(b)Others (specify)				
	(c) Total(a+b)				
16	Total (1+ 10 to 15)				
17	Adjustment for variances (where standard costing system is followed)				
18	Add: Opening stock				
	Less: Closing Stock (Work-in-progress)				
19	Less: Credits (from wastage and by-products) / Recoveries, if any				
20	Packing cost Primary				
	(a)Materials				
	(b)Others				
	(c) Total				
21	Cost of production (16 to 20)				
22	Finished Goods purchased, if any				
23	Opening Stock				
	Closing Stock (finished products)				
24	Total (21+22 +23)				

25	Quantity and cost transferred for : (i) captive consumption, if any (ii) sales (iii) others, if any
26	Packing cost Secondary (a) Materials (b) Others (c) Total
27	Other expenses : (a) Administrative overheads (others) (b) Others (specify)
28	Selling and distribution expenses (a) Salaries and wages (b) Freight and transport charges (c) Commission to selling agents (d) Advertisement expenses (e) Royalty on sales, if any (f) Warranty expenses after adjusting income from chargeable services (g) Others (h) Total(a to g)
29	Interest and finance charges : (a) for manufacturing activity (b) others (c) total
30	Total cost of sales (excluding excise duty) of packed quantity sold (24 to 29)
31	Sales realisationm Less: Excise duty and other statutory levies
32	Net sales realisation
33	Margin(32 – 30)
34	Add: export benefits and incentives, if any
35	Total margin (including export benefits)
36	Ex-factory price (excluding sales tax etc.)
37	Maximum retail price (excluding sales tax etc.)
38	Maximum retail price, if any, prescribed by the Government/ statutory/regulatory body etc.

Notes :

1. Separate proforma shall be prepared for each type/variety/ description of product(s) under reference.
2. Separate proforma shall be prepared for the quantity used for captive consumption, quantity sold within the country and the quantity exported. Expenses incurred on export and the incentive earned thereon shall be indicated in the proforma applicable for the quantity produced and exported.
3. Separate proforma shall be prepared for any related party/inter-unit transfer of intermediate/finished product(s) under reference.
4. The administrative overheads shall be included in the cost of production only to the extent they contribute in putting the goods produced to their present location and

condition. The balance of administrative overheads, if any, shall be included in the cost of goods sold. The proforma may be amended accordingly, if required.

5. The proforma may be suitably modified to cover the special features, if any, of the product under reference on the basis of proforma prescribed for working out cost of sales, margin, etc. of the said product in the relevant Cost Accounting Records Rules.
6. Indicate whether the prices of the product under reference are ex-factory prices, F.O.R prices, door delivery prices or any other terms. In case of ex-factory prices, whether cost of dispatch packing materials, freight, insurance and delivery charges are recoverable from the customers separately.

Signature	Signature	Signature
Name	Name	Name
Cost Auditor	Company Secretary	Director
Seal	Stamp	Stamp
Date	Date	Date

F.No.52/10/CAB-2001

(A.Ramaswamy)
Joint Secretary to the Government of India,

Note.- The principal rules were published vide G.S.R. number 511(E), dated the 4th November, 1996.

[See rule 2(c) and rule 4]

Dated : this ---- date of ----- 200--at ----- (mention name of place of signing this report).

The Cost Audit Report (Amendment) Rules, 2006

G.S.R.148(E).--In exercise of the powers conferred by sub-section (4) of section 233B read with sub-section (1) of section 227 and clause (b) of sub-section (1) of section 642 and section 610A of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following rules further to amend the Cost Audit Report Rules, 2001, namely:-

1. (1) These rules may be called the Cost Audit Report (Amendment) Rules, 2006.
(2) They shall come into force on the date of their publication, in the Official Gazette.
2. In the Cost Audit Report Rules, 2001, -
 - (i) after sub-rule 2 of rule 4, the following sub-rules shall be inserted, namely: -
3. The Forms prescribed in these rules may be filed through electronic media or through any other computer readable media as referred under section 610A of the Companies Act, 1956 (1 of 1956).
- (4) The electronic-form shall be authenticated by the authorized signatories using digital signatures, as defined under the Information Technology Act, 2000 (21 of 2000).
- (5) The Forms prescribed in these rules, when filed in physical form, may be authenticated by authorized signatory by affixing his signature manually."
 - (ii) in the Form for the heading "FORM OF THE COST AUDIT REPORT", "FORM II - THE COST AUDIT REPORT" shall be substituted;
 - (iii) before the existing form, the following form shall be inserted, namely:-

FORM I - Form for filing cost audit report and other documents with the Central Government - To view/download Form I, [click here](#).