

Cost Audit (Report) Rules, 1996

CONTENTS

1. Short title and commencement
2. Definitions
3. Application
4. Form of report
5. Time limit for submission of report
6. Cost auditor to be furnished with the cost accounting records, etc
7. Penalties
8. Saving

SCHEDULE 1 :- Form of cost audit report

Cost Audit (Report) Rules, 1996

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, 1968, 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, 1996.
- (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 (I of 1956);
- (b) "cost auditor" means an auditor appointed under sub-section (1) of section 233B of the Act;
- (c) "Form" means the form of cost audit report specified in the Schedule; and includes annexure to the cost audit report and proforma specified in the Schedule;

(d) "product under reference" means the product to which the rules made under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 (1 of 1956), apply;

(e) "Schedule" means Schedule annexed to these rules;

(f) all other words and expressions used in these rules but not defined, and defined in the Act and rules made under section 209 of the Act shall have the same meanings respectively 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.

4. Form of report :-

(1) Every cost auditor who conducts an audit of the cost accounting records of the company shall submit a report in triplicate to the Central Government in the form (including annexures and proforma) in accordance with the procedure specified in the Schedule annexed to these rules 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 receipt of the communication addressed to him calling for such clarifications.

5. Time limit for submission of report :-

The cost auditor shall send his report referred in sub-rule (1) of rule 4 to the Central Government and to the concerned company within one hundred and eighty days from the end of the company's financial year to which the cost audit report relates.

6. Cost auditor to be furnished with the cost accounting records, etc :-

(1) 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 ninety days from the end of the financial

year of the company such cost accounting records, cost statements, other books and papers, that 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 send his report within the time limit specified in rule 5.

(2) If the cost accounting records, cost statements, other books and papers are not made available by the company within the time limit specified in sub-rule (1), the cost auditor shall intimate the fact of not having made available to him such records, statements, books and papers to the Central Government within ten days after expiry of time limit of ninety days specified in sub-rule (1).

7. Penalties :-

(1) If default is made by any cost auditor in complying with the provisions of rule 4 or rule 5, he shall be punishable with fine which may extend to five hundred rupees.

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

8. Saving :-

Saving of action taken or that may be taken for contravention of the Cost Audit (Report) Rules, 1968. It is hereby clarified that the supersession of the Cost Audit (Report) Rules, 1968, as amended from time to time, 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.

SCHEDULE 1

Form of cost audit report

(See rule 2(e) 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 for the year ended (mention the financial year) relating to (mention name of the product) maintained by the company and report, subject to my/our comments under the heading "Auditor's observations and conclusions" contained in the Annexure to this report, that- (a) 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; (b) proper cost accounting records as required under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, have/have not been kept by the company; (c) proper return adequate for the purpose of my/our cost audit have/have not been received from branches not visited by me/us; (d) the said books and records give/do not give the information required by the Companies Act, 1956 (1 of 1956) in the manner so required; (e) 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, processing, manufacturing or mining activities, as the case may be, and marketing of the product under reference; and (f) the cost statements in respect of product under reference as specified in the annexures/proforma of Schedules I and II of the Cost Accounting Records (.....) Rules duly audited by me/us are/are not kept in the company. The matters contained in the Annexure and proforma to this report form part of this report, which is also subject to my/our observations made therein. Dated this date of 19..... at

(mention name of place of signing this report). \ \ \ \ \ \ \ \ \ \ Cost auditor(s) Notes: (1) Delete inapplicable words. (2) Specify the title of 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 of the company.