



SUPPLEMENTARY

PAPER-19

CASE STUDY

(Syllabus - 2016)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

www.icmai.in

CASE STUDY

Case Studies on Applicability of Cost Audit as per Rule 4 read with Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

Case 1:

M/s. XYZ & Co. Ltd. furnishes the following information in regard to the immediately preceding Financial Year:

Turnover of Table A Products under Rule 3 is ₹ 6 crore

Turnover of Table B Products under Rule 3 is ₹ 9 crore

Turnover of other products is ₹ 18 crore

Find out the applicability of:

(a) Cost Records under Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

(b) Cost Audit under Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

Answer:

In this case the following position emerges:

(a) Overall Turnover is ₹ 33 crore i.e. \leq ₹ 35 crore. Therefore Cost Records are not required to be maintained for Table A and Table B Products.

(b) Since the Cost Records are not required to be maintained under Rule 3, the question of Cost Audit does not arise.

Case 2:

M/s. ABC Ltd. furnishes the following information in regard to the immediately preceding Financial Year:

Turnover of Table A Products under Rule 3 is ₹ 7 crore

Turnover of Table B Products under Rule 3 is ₹ 8 crore

Turnover of other products is ₹ 24 crore

Find out the applicability of:

(a) Cost Records under Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

(b) Cost Audit under Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

Answer:

In this case the following position emerges:

(a) Overall Turnover is ₹ 39 crore i.e. $>$ ₹ 35 crore. Therefore Cost Records are required to be maintained for Table A and Table B Products irrespective of individual turnover of the products.

(b) Overall Turnover is ₹ 39 crore i.e. \leq ₹ 50 crore and aggregate Turnover of the Products under Rule 3 (Table A & Table B products) is ₹ 15 Crore, which is less than the threshold limit of ₹ 25 crore. Since the Conditions of Rule 4(1) and 4(2) of the Companies (Cost Records and Audit) Rules, 2014 (as amended) are not fulfilled, hence Cost Audit is not applicable for products either under Table A or Table B.

CASE STUDY

Case 3:

M/s. B. K. Pvt. Ltd. furnishes the following information in regard to the immediately preceding Financial Year:

Turnover of Table A Products under Rule 3 is ₹ 11 crore

Turnover of Table B Products under Rule 3 is ₹ 14 crore

Turnover of other products is ₹ 28 crore

Find out the applicability of:

(a) Cost Records under Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

(b) Cost Audit under Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

Answer:

In this case the following position emerges:

(a) Overall Turnover is ₹ 53 crore i.e. \geq ₹ 35 crore. Therefore Cost Records are required to be maintained for Table A and Table B Products.

(b) Overall Turnover is ₹ 53 crore i.e. \geq ₹ 50 crore and aggregate Turnover of the Products under Rule 3 (Table A & Table B products) is ₹ 25 Crore. Since the conditions of Rule 4(1) of the Companies (Cost Records and Audit) Rules, 2014 (as amended) are fulfilled, therefore Cost Audit is applicable only for Table A Products.

Case 4:

M/s. Sun Enterprise Ltd. furnishes the following information in regard to the immediately preceding Financial Year:

Turnover of Table A Products under Rule 3 is ₹ 19 crore

Turnover of Table B Products under Rule 3 is ₹ 15 crore

Turnover of other products is ₹ 76 crore

Find out the applicability of:

(a) Cost Records under Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

(b) Cost Audit under Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

Answer:

In this case the following position emerges:

(a) Overall Turnover is ₹ 110 crore i.e. \geq ₹ 35 crore. Therefore Cost Records are required to be maintained for Table A and Table B Products.

(b) Overall Turnover is ₹ 110 crore i.e. \geq ₹ 100 crore and aggregate Turnover of the Products under Rule 3 (Table A & Table B products) is ₹ 34 Crores i.e. \geq ₹ 25 Crore but \leq ₹ 35 crore. Conditions of Rule 4(1) of the Companies (Cost Records and Audit) Rules, 2014 (as amended) are fulfilled and cost audit is applicable for Table A Products.

Though the overall turnover is more than ₹ 100 crore, aggregate Turnover of the Products under Rule 3 (Table A & Table B products) is less than ₹ 35 crore [Rule 4(2)]. That is why, Table B products are not covered under cost audit.

CASE STUDY

Case 5:

M/s. Alpha Pvt. Ltd. furnishes the following information in regard to the immediately preceding Financial Year:

Turnover of Table A Products under Rule 3 is ₹ 20 crore

Turnover of Table B Products under Rule 3 is ₹ 22 crore

Turnover of other products is ₹ 63 crore

Find out the applicability of:

(a) Cost Records under Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

(b) Cost Audit under Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)

Answer:

In this case the following position emerges:

- (a) Overall Turnover is ₹ 105 crore i.e. \geq ₹ 35 crore. Therefore Cost Records are required to be maintained for Table A and Table B Products.
- (b) Overall Turnover is ₹ 105 crores i.e. \geq ₹ 100 crores and aggregate Turnover of the Products under Rule 3 (Table A & Table B products) is ₹ 42 Crores i.e. \geq ₹ 35 crores. Since the conditions of Rule 4(1) and Rule 4(2) of the Companies (Cost Records and Audit) Rules, 2014 (as amended) are fulfilled, Cost Audit is applicable for both Table A and Table B Products.