

Stream : B. Com.

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Course Title : Cost and Management Accounting : Cost and Management Audit (DSE 6)

Title of Unit : Cost Records and Audit Rules

Module Name : Application of CARR and maintenance of records

Dr. Prabhakat Rane
Associate Professor in Commerce
G.V.M's G.G.P.R College of Com.& Eco.
Farmagudi, Ponda – Goa

Cost Accounting Records Rules

Cost Accounting Records Rules (CARR) were framed for the first time in 1967. These rules were amended based on the requirement by Ministry of Company Affairs (MCA) from time to time. The Ministry of Company Affairs has announced it's the Companies (Cost Record and Audit) Amended Rules in 2014 which is effective from 1st January, 2015.

Application of Cost Accounting Records Rules to the company

Cost Accounting Records Rules shall apply to every company including a foreign Company which is engaged in production, processing, manufacturing or mining activities. However, these rules shall not apply to a company which is a body corporate governed by any special Act. In addition to this, these rules shall apply only when the company fulfills any one of the following during the immediately preceding financial year

- a) Aggregate value of net worth exceeds Rs. 5 crores.
- b) Aggregate value of turnover from sale or supply of all products or activities exceeds Rs. 20 crores.
- c) Company's equity and debt securities are listed or in the process listing on any stock exchange whether in India or outside India.

Application of Cost Accounting Records Rules in Maintenance of Cost Records

1) Cost Records

Every company including all units and branches shall keep records relating to the utilization of materials labour and other aspects of the cost of the product in respect of each of its financial year.

2) Cost of Operation

The cost records shall be kept on regular basis in such a manner so as to make it possible to calculate cost of operation, cost of sales, margin for each of its product and per unit cost of production on monthly, quarterly, half yearly or annual basis for every financial year.

3) Cost Accounting Principles and Standards

Cost records shall be maintained in accordance with the generally accepted

cost accounting principles and cost accounting standards issued by the Institute of Cost Accountants of India (ICAI). The variations, if any, shall be clearly indicated and explained.

4) Control on the Operation

Cost records shall be maintained in such a manner so as to enable the company to exercise as far as possible an effective control over the various operations and costs with a view to achieve the optimum utilization of resources.

5) Reconciliation Statement

Cost records and cost statements maintained under the Cost Accounting Records Rules shall be reconciled with the audited financial statements indicating expenses and incomes not considered in the cost records or statements so as to ensure the accuracy. The variations, if any, shall be clearly indicated and explained.

6) Preservation of Cost Records

Cost records, cost statements and reconciliation statements maintained under the Cost Accounting Records Rules shall be preserved for a period not less than 8 years immediately preceding a financial year.

7) Compliance with the Rules

It shall be the duty of every person referred to in section 128 of the Companies Act to take all reasonable steps to secure compliance by the company with the provisions of the Cost Accounting Records Rules in the same manner as he is liable to maintain accounts required under section 128 said Act.