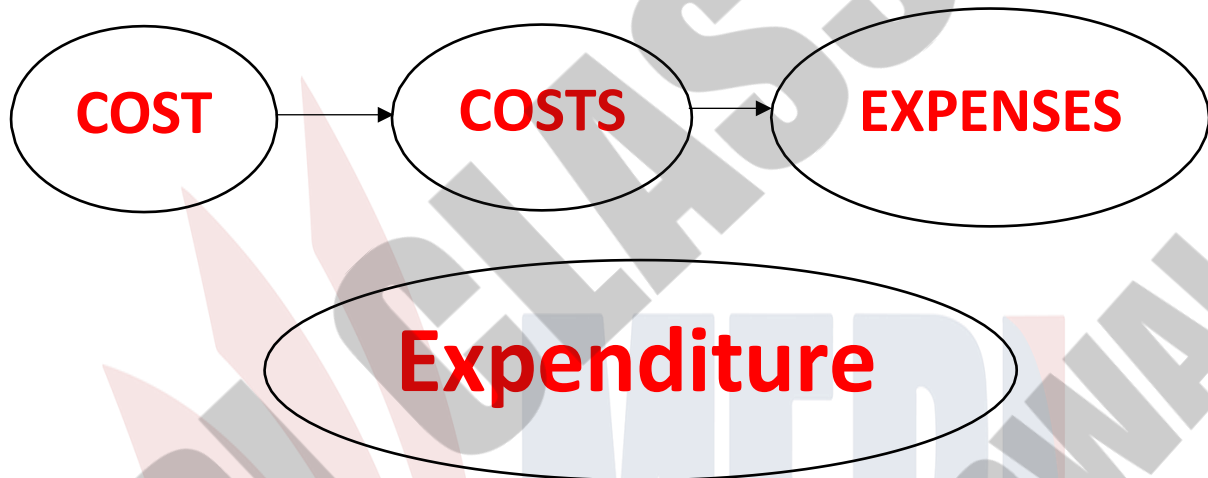




# COST & MANAGEMENT AUDIT



# Cost & Management Audit



## Cost?? → Definition of cost in common parlance?

- \* Amount paid to acquire something/or spent to buy something
- \* The effect, loss or sacrifice necessary to achieve something
- \* Cost as per Accounting:- “Value of Money” that has been used to produce something or deliver something

**Cost: -**

Cost is a measurement, in monetary term, of the amount of resources used/consumed for the purpose of

**Production of goods**

or

**Rendering of services**



Cost includes opportunity cost also

Ex:-

Mr X go to a shop to purchase a PC. The price of PC is ₹ 5000/-

Here ₹ 5000 is the cost to Mr. X

Mr. X is engaged in production of a PC. The PC requires.

Raw Material	500
Manpower	1000
Other O/H	<u>1000</u>
	2500
(+) OC of Machine	<u>2500</u>
	5000
	↓
	Cost which included <u>OC</u>



## CHAPTER – 1 Basics of Cost Accounting/Audit

**Meaning of Cost accounting: -**

**It is the process of**

**1. Identification**

**2. Classification**

**3. Measurement &**

**4. Assignment**

**of various cost to Cost Object.**

**Meaning of Cost Audit: -**

**According to CIMA  
(London)**

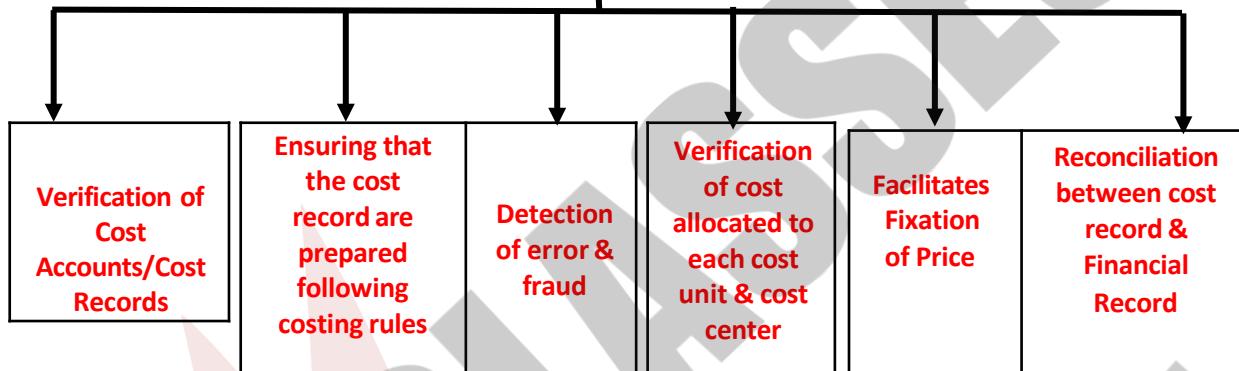
**Cost Audit is verification  
of correctness of cost  
accounting adherence  
to cost accounting plan.**

**Cost Audit is independent  
Examination of cost  
statements, costing  
records, & other related  
info of an entity with an  
objective to form an  
independent opinion.**



**Cost Audit is done by  
complying cost  
accounting standards.**

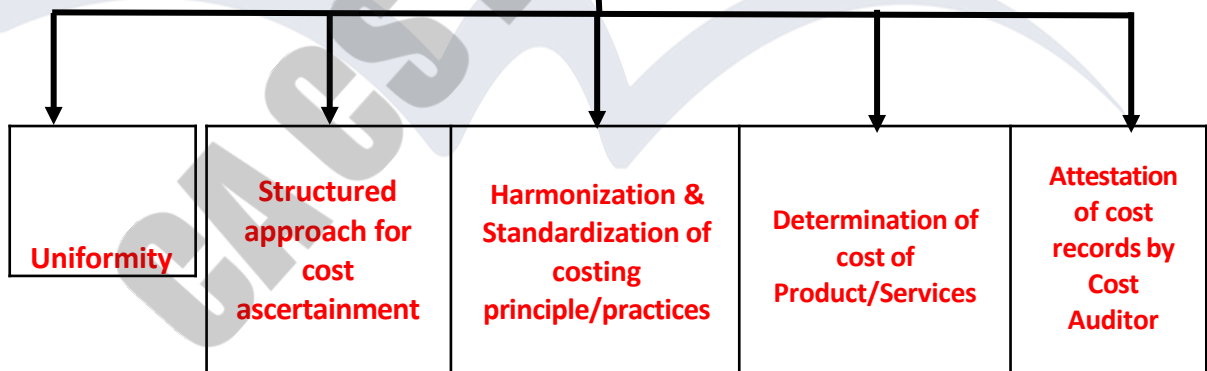
## Objective of Cost Audit



## Cost Accounting Standards

- ♣ These are the standards which lays down costing rules to achieve uniformity & consistency in cost accounting principles & practices
- ♣ Institute of Cost Accountants of India (ICMAI) has constituted Cost Accounting Standards (CAS) → CASB (Cost Accounting Standard Board)

## The Objective of CAS





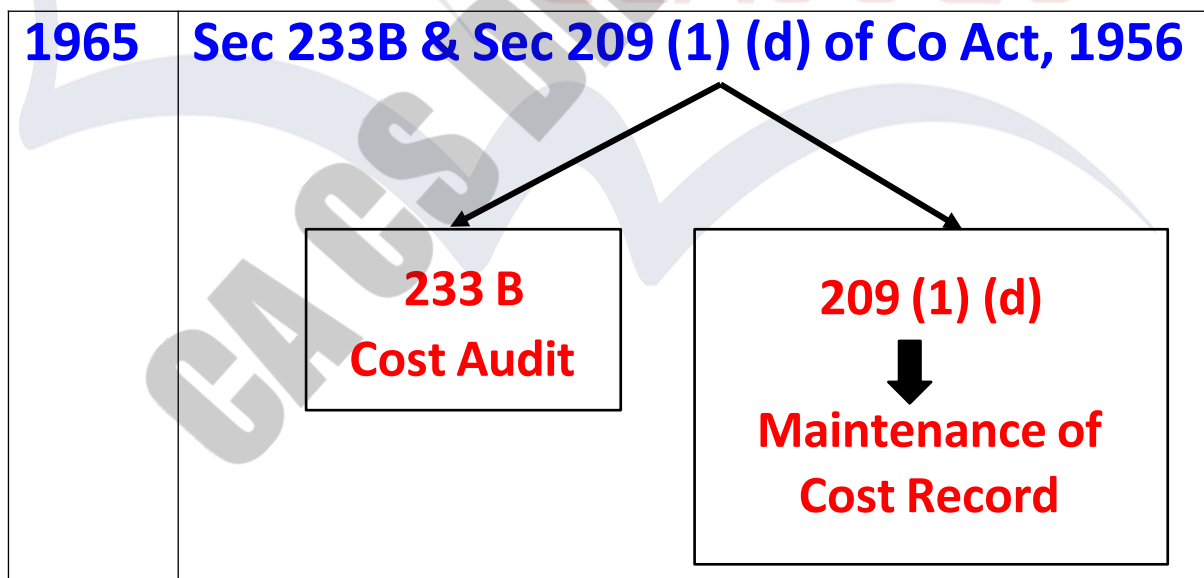
## Advantage of Cost Audit

- 1) Helps the organisation to structure the cost properly which enable in fixing price
- 2) Help in reducing the wastage of resources  
Increasing the performance
- 3) Decision Making (Short term & Long term)
- 4) Reduces manipulation & helps in detection of fraud/error
- 5) Optimum utilisation of resources

\* Cost Accountant = Cost Auditor

Sec 143(1) of Company Act ~~→~~ Cost Auditor

History of Cost Audit: -



<p><b>2011</b></p>	<p><b>Cost Audit of Cost Record as per Co. Act, 1956</b></p> <p style="text-align: center;">↓</p> <p><b>Manufacturing, Mining &amp; Processing Operation</b></p>
<p><b>2014</b></p>	<p><b>Companies (Cost Record &amp; Audit) Rules 2014</b></p> <p style="text-align: center;">↓</p> <p><b>Co. Act, 2013</b></p> <p style="text-align: center;">↓</p> <p><b>Sec 148 → CG may specify audit of items of cost in respect of certain companies</b></p>

**Sec 148 → Gives Power to CG for maintenance of Cost Record & Cost Audit for certain class of Co.**

<p><b>148(1)</b></p>	<p><b>Maintenance of Cost Record</b></p> <p style="text-align: center;">↓</p> <p><b>For Co. engaged in Production of Goods/services</b></p>
<p><b>148(2)</b></p>	<p><b>Cost Audit of Cost Records</b></p> <p style="text-align: center;">↓</p> <p><b>For Co. exceeding T.O (Product wise &amp; Aggregate)</b></p>
<p><b>148(3)</b></p>	<p><b>Power to Cost Accountant in Practice</b></p> <p style="text-align: center;">↓</p>

	<p><b>To conduct Cost Audit</b></p> <p>↓</p> <p><b>Statutory ≠ Cost Auditor</b></p>
<b>148(4)</b>	<b>Cost Audit is a separate Audit u/s 143</b>
<b>148(5)</b>	<p><b>Qualification, Disqualification, Rights, Duties &amp; Obligation of Cost Auditor</b></p> <p>↓</p> <p><b>Similar to Statutory Auditor</b></p> <p>↓</p> <p><b>Cost Auditor Report = BOD</b></p>
<b>148(6)</b>	<b>Cost Audit Report to CG in 30 days</b>
<b>148(7)</b>	<b>Additional Information / Explanation from Co.</b>
<b>148(8)</b>	<p><b>Default</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>↙</p> <div style="border: 1px solid black; padding: 5px; width: 150px; margin: 0 auto;"><b>Co/Officer</b></div> <p>↓</p> <div style="border: 1px solid black; padding: 5px; width: 150px; margin: 0 auto;"><b>147(1) of Co. Act 2013</b></div> <p>↓</p> <div style="border: 1px solid black; padding: 5px; width: 150px; margin: 0 auto;"><b>Punishable</b></div> </div> <div style="text-align: center;"> <p>↘</p> <div style="border: 1px solid black; padding: 5px; width: 150px; margin: 0 auto;"><b>Cost Auditor</b></div> <p>↓</p> <div style="border: 1px solid black; padding: 5px; width: 150px; margin: 0 auto;"><b>147(2), 147(3), 147(4), 147(5)</b></div> <p>↓</p> <div style="border: 1px solid black; padding: 5px; width: 150px; margin: 0 auto;"><b>Punishable</b></div> </div> </div>



**Note: - Cost Auditing Standards → CAS issued by the ICWAI under ICWAI Act, 1959 Act, 1959**



## CHAPTER – 2 Companies (Cost Record & Audit) Rules, 2014

[30.6.2014]

### (1) Meaning: -

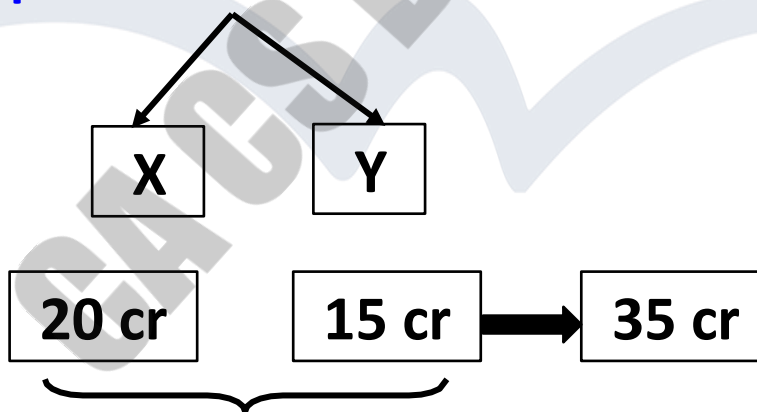
Cost Auditing is audit of Cost Records by Cost Accountant in Practice

CMA In Practice can only do Cost Audit

### (2) Applicability of Maintenance of Cost Record: - (Rule - 3)

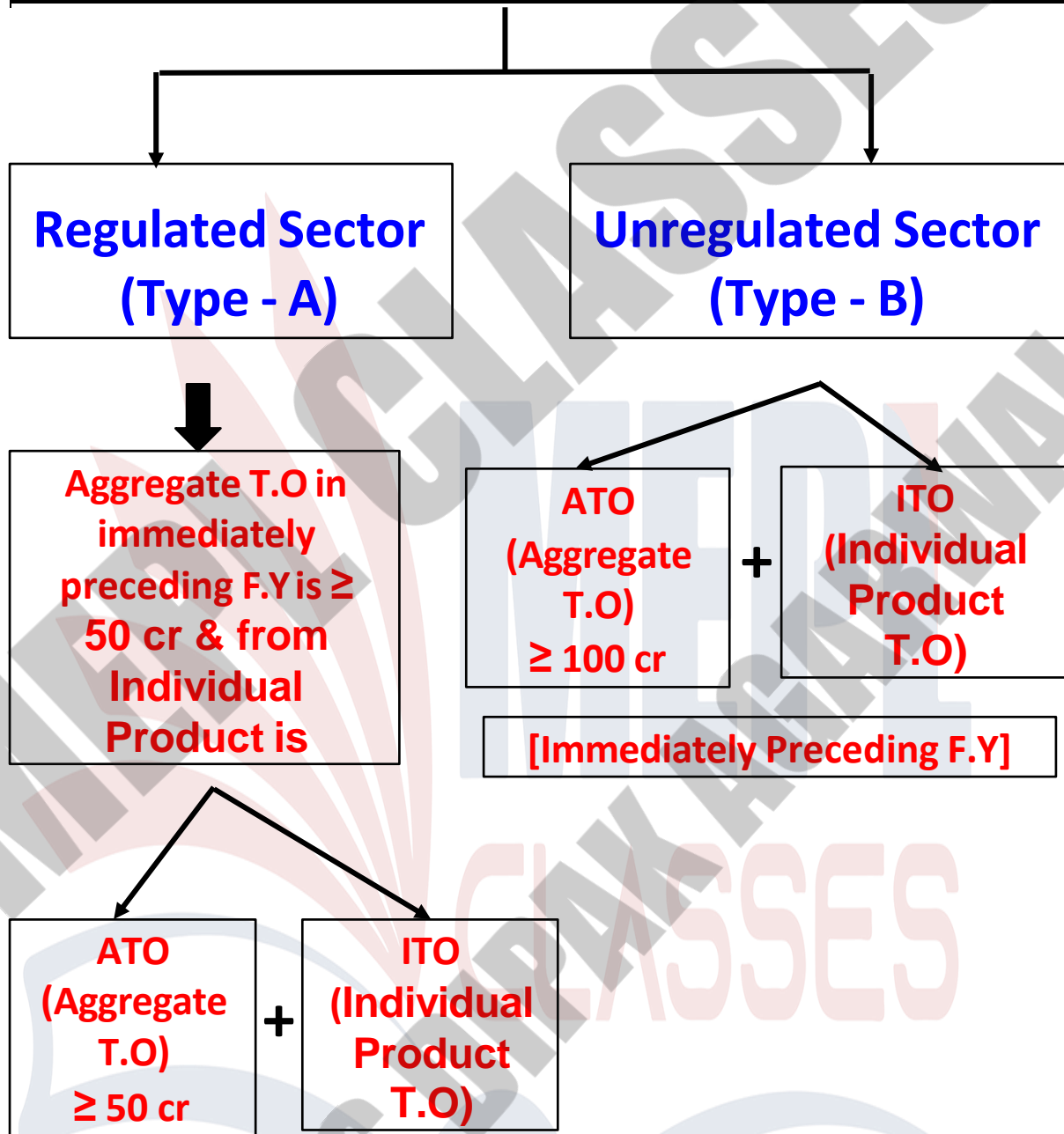
If aggregate T.O of company (whether in Regulated Sector i.e., Type A or whether in unregulated (Not regulated) sector i.e., Type B) in immediately preceding F.Y is  $\geq 35$  crores (min 35 crores)

Example: Co A



**Cost Record Mandatory u/s 148(1) of Co. Act, 2013**

**(3) Applicability of Cost Audit (Rule - 4): -**



<u>Ex: -</u>	BPCL (Regulated Sector)			
	<b>Diesel</b>	<b>Petrol</b>	<b>HSD</b>	
	<b>20 cr</b>	<b>20 cr</b>	<b>30 cr</b>	<b>70</b>
<b>Cost Record</b>				
<b>Cost Audit</b>				



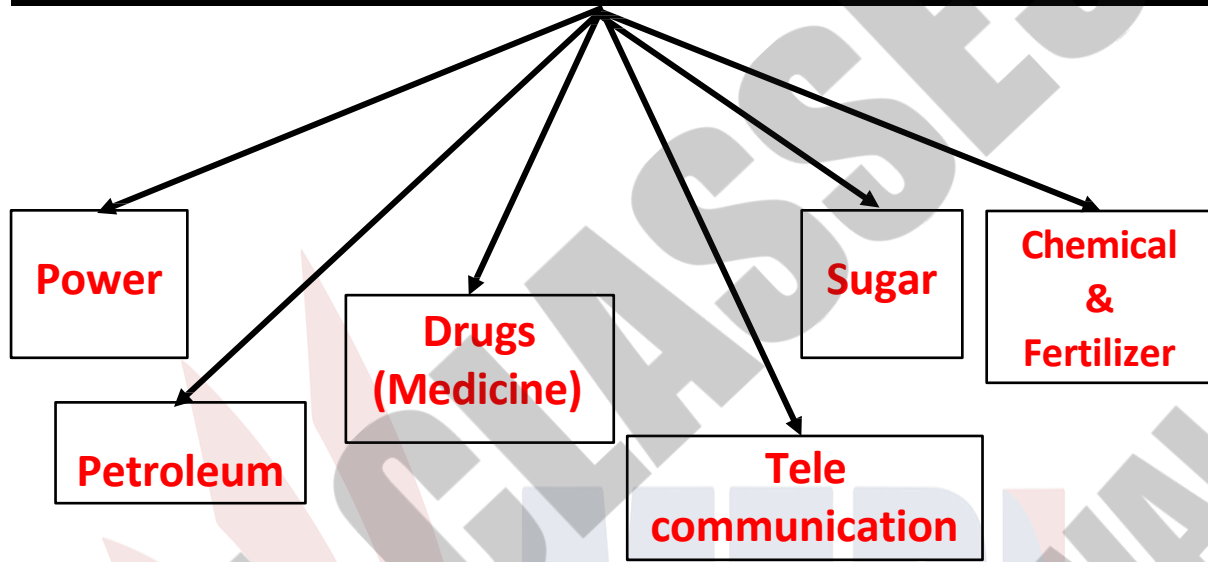
	<b>CR</b>	<b>CR</b>	<b>CR/CA</b>	
--	-----------	-----------	--------------	--

<b>Ex: -</b>	<b>Co. A (Unregulated Sector)</b>			
	<b>A</b>	<b>B</b>	<b>C</b>	
	<b>30 cr</b>	<b>20 cr</b>	<b>50 cr</b>	<b>100</b>
<b>Cost Record</b>				
<b>Cost Audit</b>				
	<b>CR</b>	<b>CR</b>	<b>CR/CA</b>	

<b>Ex: -</b>	<b>Co. A (Unregulated Sector)</b>			
	<b>A</b>	<b>B</b>	<b>C</b>	
	<b>30 cr</b>	<b>20 cr</b>	<b>40 cr</b>	<b>90</b>
<b>Cost Record</b>				
<b>Cost Audit</b>				
	<b>CR</b>	<b>CR</b>	<b>CR</b>	

<b>Ex: -</b>	<b>Co. A (Unregulated Sector)</b>			
	<b>A</b>	<b>B</b>	<b>C</b>	
	<b>34 cr</b>	<b>34 cr</b>	<b>34 cr</b>	
<b>Cost Record</b>				<b>ATO ≥ 35 cr</b>
<b>Cost Audit</b>				

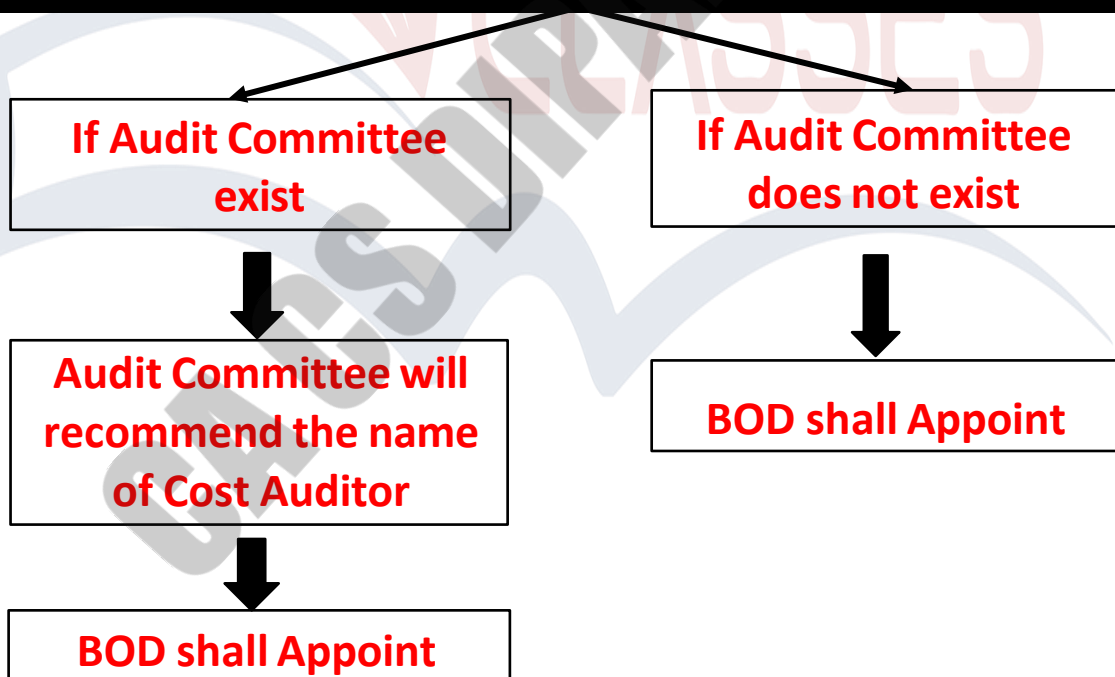
#### (4) Type A: - Regulated Sector



#### (5) Type B: - Rest of the Sector/Product/Services as mentioned in the Table

#### (6) Cost Records are Maintained in form CRA-1

#### (7) Appointment of Cost Auditor (Sec 177 of Company Act, 2013)



**Notes – Sec 177 → Audit Committee**

- ✓ Every Public company (listed) shall appoint/Unlisted Public company an Audit Committee
- ✓ Min 3 directors shall consist of Audit Committee



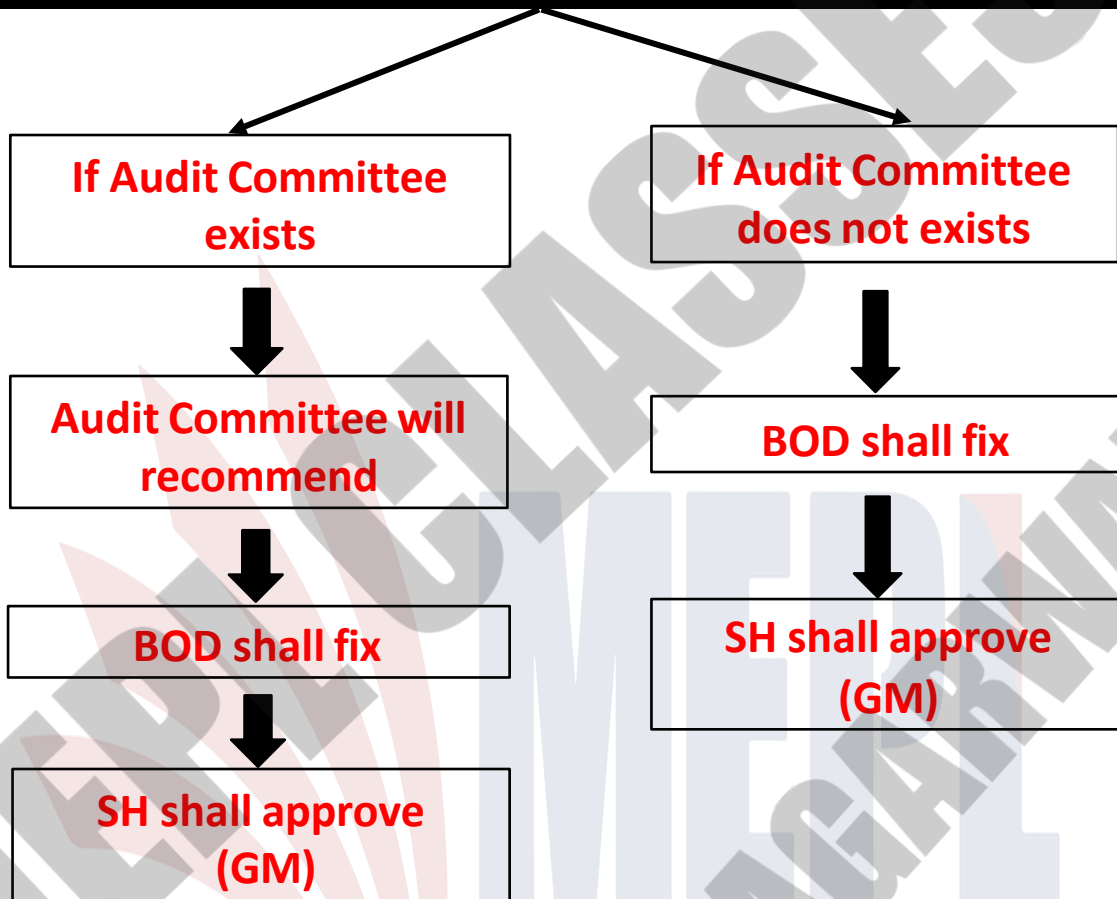
**Majority Independent Directors**

**Notes – Audit Committee duties is to recommend the Audit**

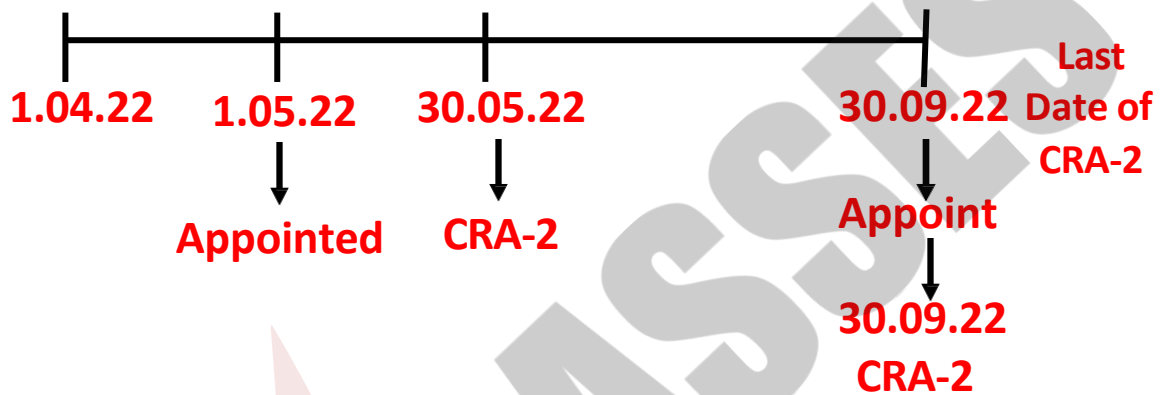
**On Every Listed Public Company**

**Unlisted Public Co.**

- ✓ PUSC min 10 crores
- ✓ Loan, Debenture, Borrowings e.g., min 50 crores
- ✓ T.O min 100 crores

**(8) Remuneration of Cost Auditor: -****(9) Time Limit of Appointment: -**

Cost Auditor shall be appointed within 180 days from the commencement of F.Y & Company shall inform about the appointment in form CRA-2 to CG (ROC) within 30 days of appointment or 180 days of commencement of F.Y whichever is earlier.



**(10) Casual Vacancy:** - All the Casual Vacancy shall be filled up by the BOD within 30 days of such casual vacancy. Company shall inform the CG(ROC) within 30 days of filling such casual vacancy by submitting form CRA-2

**(11) Removal of Cost Auditor:** - BOD may remove the Cost Auditor without prior approval of CG.

**(12) Qualification, Power & Duties of Cost Auditor:** - Same as Company Auditor (with necessary changes)

↓  
"Mutatis Mutandis"

**(13) Can Co. auditor be appointed as a Cost Auditor of the company?**

→ No.



**(14) Can internal auditor be appointed as a Cost Auditor of the company?**

→ **No.**

**(15) Time limit for Completion of Cost Audit: -**

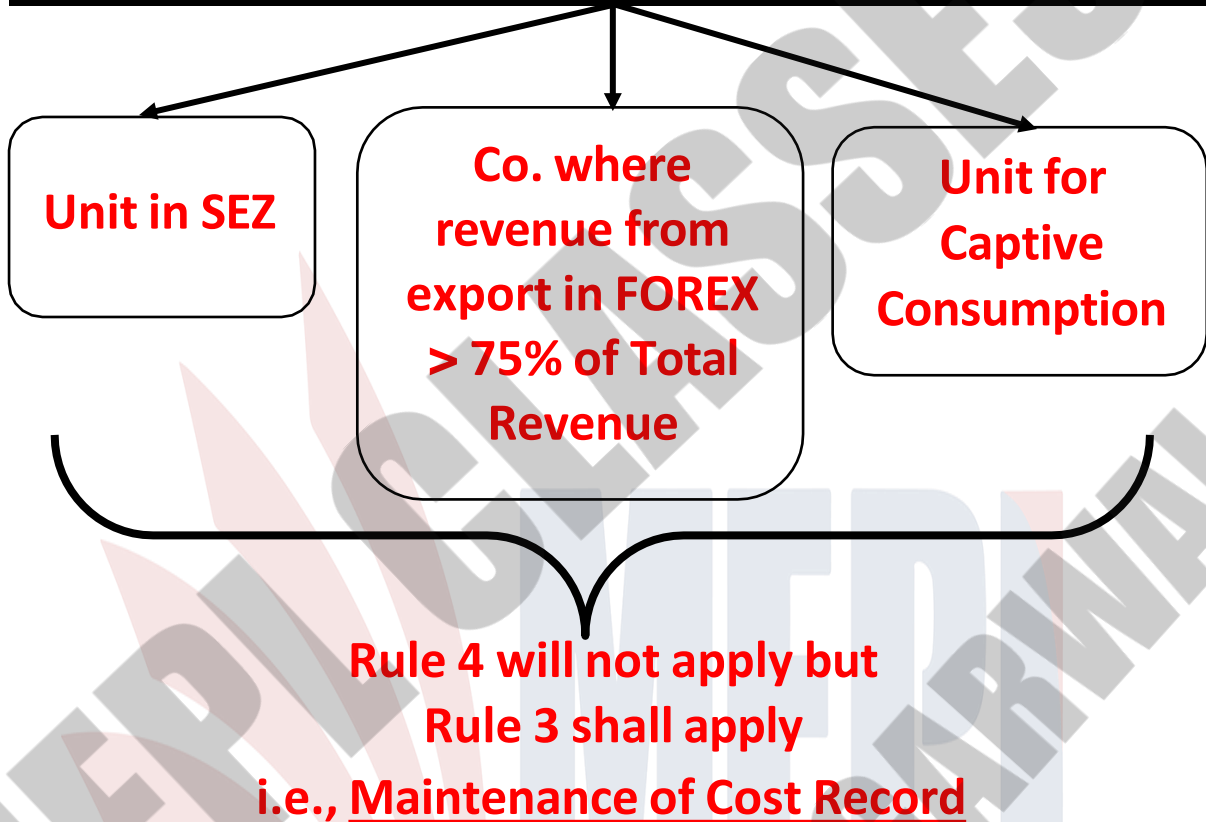
Cost Audit shall be completed within 180 days from the end of F.Y & Cost Auditor shall submit the Cost Audit Report in Form CRA 3 to the company

& within 30 days co. shall along with the explanation to any adverse remark (if any) submit the report to ROC in form CRA-4.

**Note – The company shall submit CRA-4 in 30 days from the date of receipt of Cost Audit Report**

**Note – The CG may ask for additional information & explanation, if necessary, from the company.**

**(16) Exemption from Cost Audit: -**



**(17) Examples on Rule 3 & Rule 4 → For Exam Purpose**

**Example – 1: -**

ABC Ltd is a company engaged in manufacture of products listed in Table A, Table B and some unlisted products also.

			CR	CA
Regulated	Product X (T-A)	30 cr		≥ 25 cr
Unregulated	Product Y (T-B)	35 cr		≥ 35 cr
	Product Z (unlisted)	40 cr		
		105 cr		

**Solution: -**



- 1) As per Rule 3 of the Companies (Cost Record & Audit) Rules 2014 the company is required to maintain cost records of the products or services listed in Table A or Table B as the case may be if the aggregate T.O of the company exceeds 35 cr or min 35 cr.
- 2) In the given case the aggregate T.O of the company is ₹ 105 cr which is  $> 35$  cr. Hence the company is required to maintain the cost record of Product X & Product Y only. Since Product Z is neither a product of Regulated (Table A) or Unregulated (Table B). So, no cost record for Product Z.
- 3) As per Rule 4(1) for the products in Table A. If the aggregate T.O of the company is min 50 cr & the aggregate T.O of individual product is min 25 cr. Then cost audit is mandatory for such product/services.
- 4) As per Rule 4(2) → The product/services of Table B (i.e., unregulated sector, there is a requirement of Cost Audit for Table B Product if the Aggregate T.O of the co. is min 100 cr & Individual Product T.O is min 35 cr.
- 5) In the given case since the aggregate T.O of the company is greater than 100 cr or 50 cr (as per Rule 4(2) & Rule 4(1) of the Cost Record & Audit Rules, 2014 & the aggregate T.O of Individual Product of Table A is 30 cr  $\geq 25$  cr & Table B is 35 cr  $\geq 35$  cr. Then the co. is required to conduct Cost Audit for Product

**X & Product Y. But there is no requirement for Cost Audit of Product Z.**

<u>Example – 2: -</u>		<b>ABC Ltd</b>		
		Power	Black Carbon	Other By Product Scrap
		<b>20 cr</b>	<b>40 cr</b>	<b>10 cr</b>
<b>CR: - <math>\geq 35</math> cr</b>				
<b>CA: -</b>				
<b>Table A</b>	<b>Table B</b>			
<b>TO <math>\geq 50</math> cr</b>	<b><math>\geq 100</math> cr</b>			
<b>ITO <math>\geq 25</math> cr</b>	<b><math>\geq 35</math> cr</b>			

<u>Example – 3: -</u>		<b>ABC Ltd</b>		
		Power/ Electricity	Table B	By Product
		<b>30 cr</b>	<b>40 cr</b>	<b>100 cr</b>
<b>Rule 3</b>	<b>CR: - ATO = 170 cr</b>			
<b>Rule</b>	<b>CA: -</b>	<b>ATO = 170 cr ITO = 30 cr</b>	<b>ATO = 170 cr ITO = 40 cr</b>	
		<b>Rule 4(1)</b>	<b>Rule 4(2)</b>	

**Example – 4: - Incorrect but Correct as per Institute Mat**

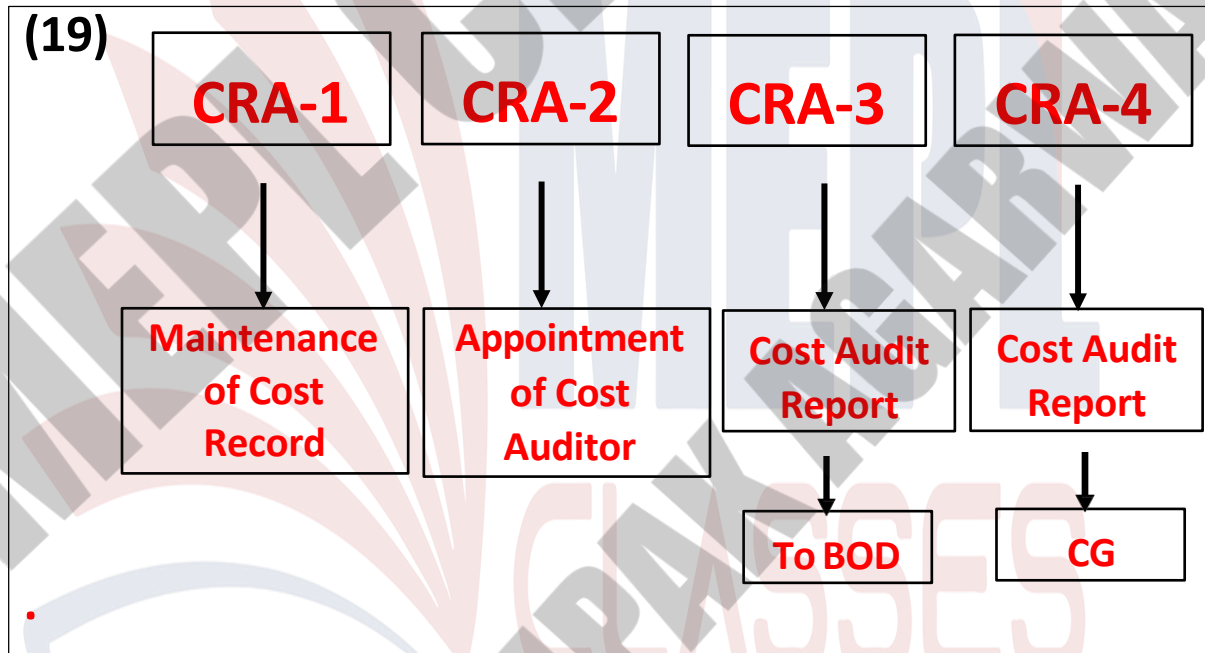


		<b>ABC Ltd</b>		
		Table A	Table B	Table C
	<b>T.O.</b>	<b>19 cr</b>	<b>14 cr</b>	<b>76 cr</b>
<b>Rule 3</b>	<b>CR: - <math>\geq 35</math> cr</b> <b>ATO = 109 cr</b>			
	<b>CA: -</b>	ATO = 109 cr ITO = Table A + Table B (19+14) = 33 cr	ATO = 109 cr ITO = Table A + Table B (19+14) = 33 cr	
		Since $\geq 25$ cr	Since $\geq 35$ cr	

<u>Example – 5: -</u>	<b>ABC Ltd</b>		
	Table A	Table B	Unlisted
	<b>22 cr</b>	<b>21 cr</b>	<b>58 cr</b>
<b>CR: -</b>	<b><math>\geq 35</math> cr</b>	<b><math>\geq 35</math> cr</b>	<b><math>\geq 35</math> cr</b>
<b>CA: - 1<sup>ST</sup></b>	<b><math>\geq 50</math> cr</b>	<b><math>\geq 100</math> cr</b>	<b><math>\geq 100</math> cr</b>
<b>2<sup>ND</sup></b>	Table A + Table B (22+21) = 43 cr	Table A + Table B (22+21) = 43 cr	
	Since $\geq 25$ cr	Since $\geq 35$ cr	
 <b>As per Institute Mat</b>			

**(18) The Rule 3 of Companies (Cost Record & Audit) Rules, 2014 does not apply to the following**

	<b>Micro Enterprises</b>	<b>Small Enterprises</b>	<b>Registered under MSMED, Act 2006</b>
<b>Investment in Plant &amp; Machinery</b>	<b>≤ 1 cr</b>	<b>≤ 10 cr</b>	
<b>T.O.</b>	<b>≤ 5 cr</b>	<b>≤ 50 cr</b>	



(20) Items included in CRA-1

<b><u>All types of Cost</u></b>
<b>1) Material</b>
<b>2) Labour</b>
<b>3) Overhead (OH)</b>
<b>4) Fixed Asset &amp; Depreciation</b>
<b>5) Finance Cost</b>



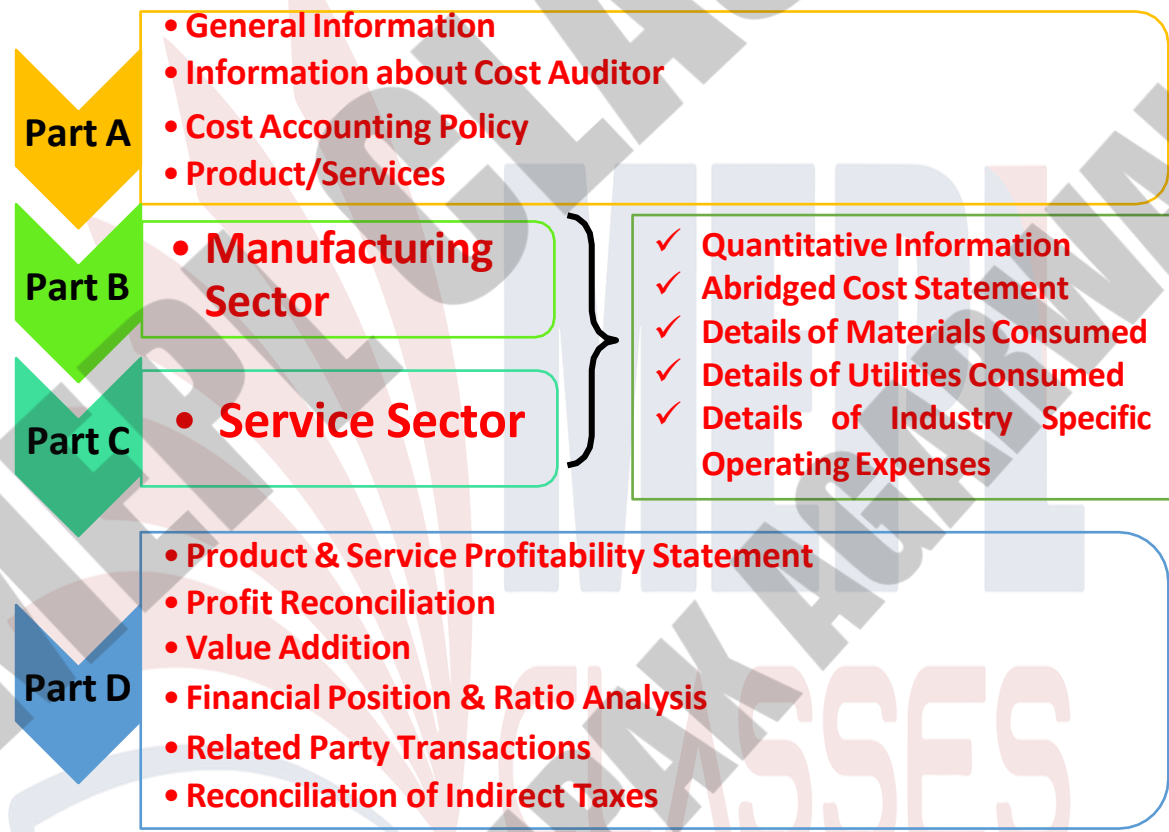
- |  |
|--|
| <b>6) Capacity Determination</b>                                   |
| <b>7) Captive Consumption</b>                                      |
| <b>8) Work-in-progress/Finished Goods</b>                          |
| <b>9) By Product/Scrap</b>   |
| <b>10) Cost Statements</b>   |
| <b>11) Reconciliation of Financial Accounts &amp; Cost Records</b> |

**(21) CRA-2: - Details of Company & Auditor**

- |  |
|--|
| <b>● CIN</b>   |
| <b>● Details of Company</b>                                  |
| <b>● Details of Cost Audit</b>                               |
| <b>● Board Resolution</b>                                    |
| <b>● Details of Product of which Cost Audit is conducted</b> |
| <b>● Details of Previous Cost Audit</b>                      |
| <b>● Year for which Cost Audit is conducted.</b>             |

**(22) CRA-3: - Detailed report on Material / Labour / Expense incurred by the company for the manufacture of Product or rendering of services**

**It has been divided into 4 parts**



**(23) CRA-4: - It is an extension of CRA-2**

**It contains**

- (1) General Information –**
    - Such as CIN Number
    - Cost Auditor detail
    - Product/services detail
- a) Cost Record**

- b) Cost Record not maintained**
- (2) Qualification / Reservation / Suggestion by Cost Auditor with explanation**
  - (3) XBRL (world-wide standard format for submitting Financial Information) format all Cost Audit Report to be submitted**

**(24) Company (Cost Record & Audit Rule) 2014 came into force on 30.6.2014.**

## PRACTICAL FROM CHAPTER 2

# Para 3 – Part D of CRA-3

### **Value Addition & Distribution of Earning**

Particulars		<u>C.Y</u>	<u>P.Y</u>
# <u>Value Addition</u> [Revenue from Operation (-) Total cost of Bought out Inputs]			
<b>A. Revenue from Operation</b>	<b>xxx</b>		
Less: Taxes & Duties	<b>xxx</b>		
<b>B. Net Revenue from Operation</b>		<b>xxx</b>	
Add: Export Incentive		<b>xxx</b>	
Add: Increase in Stock		<b>xxx</b>	

<b>Less: Decrease in Stock</b>		<u>XXX</u>	
<b>C. Revenue from Operation after adjustment of stock</b>		<u>XXX</u>	
<b>D. Less: Cost of Bought out Inputs</b>			
(i) Raw Materials consumed	✓		
(ii) Process Material	✓		
(iii) Stores & Spares	✓		
(iv) Utilities (Power/Fuel)	✓		
(v) Any other [Administrative, Manufacturing & selling OH]	✓		
(vi) Audit Fees	✓		
(vii) Interest on Working Capital (Excluding long term loan)	✓		
<b>Total cost of Bought out Input</b>		<u>XXX</u>	
<b>E. <u>Value Addition</u> (C – D)</b>		<u>XXX</u>	
Add: Income from other source		✓	
Add: Extraordinary Income		✓	
Add: Other Comprehensive Income		✓	
<b>F. Earnings Available for Distribution</b>		✓	
<b># Distribution of Earnings to Stakeholders</b>			
(i) Employees (Salaries, Wages & other Employee Cost)		✓	
(ii) Shareholders as Dividend (Exclusive of Taxes)		✓	
(iii) Company (as retained earning)		✓	
(iv) Government as Taxes [DDT, IT, GST etc]		✓	

(v) Extraordinary Expenses or Exceptional Expenses	✓	
(vi) Others, if any (Providers of Capital)	✓	
* Interest long term loan		
* Debentures Interest		
<b>G. Total Distribution of Earning</b>		<b><u>XXX</u></b>
<b>[F = G Then your answer is correct]</b>		

# Illustration No. – 2: -

The following figures are obtained from the Cost Accounting Records of Sinjini Ltd. a single product manufacturing company:

Year ended 31st March	2022	2021
	(Amount in ₹ lakh)	
Net Sales	4,800	3,840
Other Income	300	200
Increase in Value of Stock of Finished Goods	20	10
Raw materials Consumed	1,760	1,440
Direct wages, Salaries, Bonus, Gratuity etc.	440	352
Power & Fuel	240	192
Stores and Spares	160	140
Cess and local Taxes	120	100
Other manufacturing Overheads	430	370
<b>Administrative Overheads:</b>		
Audit fees	36	30
Salaries & Commission to Directors	48	40
Other Overheads	260	220

<b>Selling and Distribution Overheads:</b>		
<b>Salaries &amp; Wages</b>	<b>36</b>	<b>30</b>
<b>Packing and Forwarding</b>	<b>20</b>	<b>16</b>
<b>Other Overheads</b>	<b>250</b>	<b>200</b>
<b>Total Depreciation</b>	<b>120</b>	<b>120</b>
<b>Interest Charges:</b>		
<b>On Working Capital Loans from Bank</b>	<b>60</b>	<b>25</b>
<b>On Fixed Loans from IDBI</b>	<b>90</b>	<b>70</b>
<b>On Debentures</b>	<b>30</b>	<b>30</b>
<b>Provision for Taxes</b>	<b>316</b>	<b>200</b>
<b>Proposed Dividends</b>	<b>420</b>	<b>230</b>

You are required to calculate the following parameters as stipulated PART-D, PARA-3 of the Annexure to Cost Audit Report under the Companies (Cost Records and Audit) Rules, 2014 for the year ended March 31, 2022 and March 31, 2021:

- (i) Value Addition
- (ii) Earnings available for Distribution
- (iii) Distribution of Earnings to the different claimants.

# Illustration No. – 1: -

The following figures are extracted from the statement prepared by the Cost Accountant and the Trial Balance of ABC Ltd., which is a single product company:

(₹ In lakhs)

	31.03.2022	31.03.2021	31.03.2020
<b>Net Sales</b>	<b>1,745</b>	<b>1,705</b>	<b>1,610</b>
<b>Raw Materials consumed</b>	<b>1,140</b>	<b>1,060</b>	<b>975</b>
<b>Direct Wages</b>	<b>35</b>	<b>32</b>	<b>27</b>
<b>Power and Fuel</b>	<b>30</b>	<b>27</b>	<b>24</b>
<b>Stores and Spares</b>	<b>6</b>	<b>5</b>	<b>4</b>

<b>Depreciation charged to production cost centres</b>	<b>16</b>	<b>15</b>	<b>13</b>
<b>Factory overheads:</b>			
<b>Salaries and wages</b>	<b>5</b>	<b>4</b>	<b>3</b>
<b>Depreciation</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Rates and Taxes</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Other overheads</b>	<b>6</b>	<b>5</b>	<b>4</b>
<b>Administrative overheads:</b>			
<b>Salaries and Wages</b>	<b>10</b>	<b>9</b>	<b>8</b>
<b>Rates and Taxes</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Other overheads</b>	<b>162</b>	<b>154</b>	<b>148</b>
<b>Selling and distribution overheads:</b>			
<b>Salaries and Wages</b>	<b>7</b>	<b>6</b>	<b>5</b>
<b>Packing and Forwarding</b>	<b>6</b>	<b>6</b>	<b>5</b>
<b>Depreciation</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Other overheads</b>	<b>124</b>	<b>118</b>	<b>108</b>
<b>Interest</b>	<b>85</b>	<b>74</b>	<b>68</b>
<b>Bonus and Gratuity</b>	<b>12</b>	<b>10</b>	<b>9</b>
<b>Gross Current Assets</b>	<b>840</b>	<b>724</b>	<b>640</b>
<b>Current Liabilities and Provisions</b>	<b>324</b>	<b>305</b>	<b>246</b>

You are required to compute the following ratios as per requirement of Part D, Para 3 & 4 of the Annexure to Cost Audit Report under the Companies (Cost Records and Audit) Rules, 2014 for 3 years:

- (i) Operating Profit as percentage of Value Addition.
- (ii) Value Addition as percentage of Net Sales.

(iii) Note: The computation should be based on EBDIT as Operating Profit.

♣ Reconciliation of Profit of Financial Accounts & Cost Accounts

	Profit as per Financial Accounts		xxx
(I)	<b>Add: Expense not allowed as per CAS as a cost item</b> ✓ Expense on CSR ✓ Post Retirement Benefit (VRS) / Medical grant ✓ Loss on Sale of Fixed Asset ✓ Trading Loss (Add Expenses also) ✓ Donation paid ✓ Loss investment ✓ Renovation Expenses whose benefit will accrue in future ✓ Others, if any	xxx xxx xxx xxx xxx xxx xxx	
			xxx
(II)	<b>Less: Income not considered as per Cost a/c standards</b> ✓ Profit on Sale of Fixed Asset ✓ Subsidy ✓ Recovery of Litigation (Prior Period) ✓ Favourable Exchange rate variation ✓ Tax Refund	xxx xxx xxx xxx xxx	



	<ul style="list-style-type: none"> <li>✓ Income from Investment</li> <li>✓ Non-operating Income</li> <li>✓ Trading Profit (Less Exp)</li> <li>✓ Insurance Recovery (claim recovery)</li> <li>✓ Interest Income</li> <li>✓ Others</li> </ul>	<p>xxx</p> <p>xxx</p> <p>xxx</p> <p>xxx</p> <p>xxx</p> <p>xxx</p> <p>xxx</p>	<p>(xxx)</p>
(III)	<p><b>Add: Valuation of Stocks</b></p> <ul style="list-style-type: none"> <li>✓ (+) Closing Stock undervalued in FA</li> <li>✓ (-) Closing Stock overvalued in FA</li> <li>✓ (+) Opening Stock or WIP overvalued in FA</li> <li>✓ (-) Opening Stock or WIP undervalued in FA</li> <li>✓ (-) Closing Stock undervalued in Cost Record</li> <li>✓ (+) Closing Stock overvalued in Cost Record</li> <li>✓ (-) Opening Stock or WIP overvalued in FA</li> <li>✓ (+) Opening Stock or WIP overvalued in FA</li> </ul>	<p>xxx</p> <p>(xxx)</p> <p>xxx</p> <p>(xxx)</p> <p>(xxx)</p> <p>xxx</p> <p>(xxx)</p> <p>xxx</p>	<p>xxx</p>
(IV)	<p><b>Add/Less: Captive Consumption or self-consumption</b></p>		

<b>Less:</b>	<b>Value of Captive Consumption if the value is higher in Financial A/c [Value as per FA - Value as per CA]</b>	<b>(xxx)</b>
<b>Add:</b>	<b>Value of Captive Consumption is Lower in FA [CA – FA]</b>	<b>xxx</b>
<b>Less:</b>	<b>Cost of Captive Consumption shown as per cost instead of Tariff value [FA – CA]</b>	<b>(xxx)</b>
<b>Add:</b>	<b>Cost of Captive Consumption shown higher in FA [CA – FA]</b>	<b>xxx</b>
	<b>Profit as per Cost</b>	<b>xxx</b>

\* Illustration No. – 4: -

In the Financial Accounts of Chemicals & Fertilizers Ltd. for the year ended March 31, 2022 the profit was ₹ 8,98,07,500. The profit as per Cost Accounting records for the same period was less. The following details are extracted from the accounting schedules and Cost Accounting records of the company.

	<b>Financial Accounts ₹ '000</b>	<b>Cost Accounts ₹ '000</b>
<b>Opening : Semi Finished Goods</b>	<b>31700</b>	<b>35210</b>
<b>: Finished Goods</b>	<b>83220</b>	<b>78590</b>
<b>Closing : Semi Finished Goods</b>	<b>35260</b>	<b>39420</b>
<b>: Finished Goods</b>	<b>89320</b>	<b>80450</b>
<b>Urea &amp; Transport subsidy</b>	<b>348</b>	
<b>Expenses on CSR</b>	<b>56</b>	
<b>Profit on sale of Fixed Assets</b>	<b>150</b>	
<b>Chemical used internally</b>	<b>382</b>	<b>365</b>

<b>Favourable Exch. Rate variation</b>	<b>294</b>	
<b>Post-retirement medical grant</b>	<b>584</b>	
<b>Purchase Tax Refund</b>	<b>453</b>	
<b>Litigation Recovery-Prior year</b>	<b>125</b>	

You are required to prepare a Reconciliation Statement and arrive at the Profit as per Cost Records for the year ended March 31, 2022.

# **Shortcut method for Reconciliation: -**



For shortcut we assume that whatever expenses, Income shown in question has not been considered in making Trading & P/L.

Illustration No. – 5: -

Auto Parts Manufacturing Company Ltd. showed a profit for the year 2021-22 as ₹ 35,46,700. During the course of Cost Audit, the followings transactions were noticed:

- (i) an old machine with net value of ₹ 6,54,000 was sold off for ₹ 9,30,000,
- (ii) dividend income was received amounting to ₹ 84,500 from investments,
- (iii) a sum of ₹ 58,000 was spent towards CSR commitment,
- (iv) the company was engaged in trading activity where purchase of goods was ₹ 13,50,000 and sales was ₹ 13,42,300, after incurring ₹ 40,800 as expenditure,
- (v) some renovation work was carried out at a cost of ₹ 7,75,000 and its useful life was only for five years, and
- (vi) the closing inventory of raw material was undervalued ₹ 29,600 and that of finished goods was overvalued ₹ 65,400 in the financial records. Work out the Profit as per the Cost Accounts.

Illustration No. – 6: -

The profit as per financial accounts of M/s Kalingpong Himalaya Private Company for the year 2021-22 was ₹ 1,54,28,642. The profit as per Cost Accounting Records for the same period was less. You are required to prepare a reconciliation statement and arrive at the profit as per Cost Records. The following details are collected from the financial schedules and cost accounting records:

	Financial Accounts	Cost Accounts
<b>Valuation of Stock</b>		
<b>Opening: WIP</b>	<b>25,62,315</b>	<b>22,65,710</b>
<b>Finished Goods</b>	<b>2,65,47,520</b>	<b>2,92,18,950</b>

<b>Closing: WIP</b>	<b>42,75,640</b>	<b>37,36,346</b>
<b>Finished Goods</b>	<b>3,72,59,430</b>	<b>4,35,25,149</b>
<b>Interest income from inter-corporate deposits</b>	<b>6,15,340</b>	<b>—</b>
<b>Donations given</b>	<b>4,85,560</b>	<b>—</b>
<b>Loss on Sale of Fixed Assets</b>	<b>1,22,546</b>	<b>—</b>
<b>Value of cement taken for own consumption</b>	<b>3,82,960</b>	<b>3,65,426</b>
<b>Cost of Power drawn from own Wind Mill</b>		
— At EB tariff	<b>—</b>	<b>49,56,325</b>
— At cost	<b>36,20,370</b>	<b>—</b>
<b>Non-operating income</b>	<b>45,36,770</b>	<b>—</b>
<b>Voluntary retirement compensation</b>	<b>16,76,540</b>	<b>—</b>
<b>Insurance claim relating to previous year received during the year</b>		
	<b>14,35,620</b>	<b>—</b>

**Illustration No. – 7: -**

The Cost Accountant of TRINCUS TEXTILES MILLS LTD. has arrived at a Profit of ₹ 20,10,500 based on Cost Accounting Records for the year ended March 31, 2022. Profit as per Financial Accounts is ₹ 22,14,100.

As a Cost Auditor, you find the following differences between the Financial Accounts and Cost Accounts:

		₹
(1)	Profit on Sale of Fixed Assets	2,05,000
(2)	Loss on Sale of Investments	33,600



(3)	Voluntary Retirement Compensation included in Salary & Wages in F/A	50,25,000
(4)	Donation Paid	75,000
(5)	Insurance Claim relating to previous year received during the year	5,08,700
(6)	Profit from Retail trading activity	32,02,430
(7)	Interest Income from Inter-Corporate Deposits	6,15,000
(8)	Decrease in value of Closing WIP and Finished goods inventory	
	as per Financial Accounts	3,82,06,430
	as per Cost Accounts	3,90,12,500

You are required to prepare a Reconciliation Statement between the two Accounts for the year ended March 31, 2022.



## CHAPTER – 3 Cost Auditor

“Cost Auditor” means a Cost Accountant in Practice (as defined under cost and works Accountant act, 1959) appointed by the board to do the audit of cost records of the company as per sec 148 of the Co. Act, 2013.

Sec 148 (5)

Rights, Duties, Obligation, Qualification, Disqualification of the Auditor

Cost Auditor

[Sec 139 to Sec 148] of Co. Act, 2013

Sec – 141 (Co. Act, 2013) → Qualification & Disqualification of the Auditor

## Qualification of Auditor

### Sec 141(1)

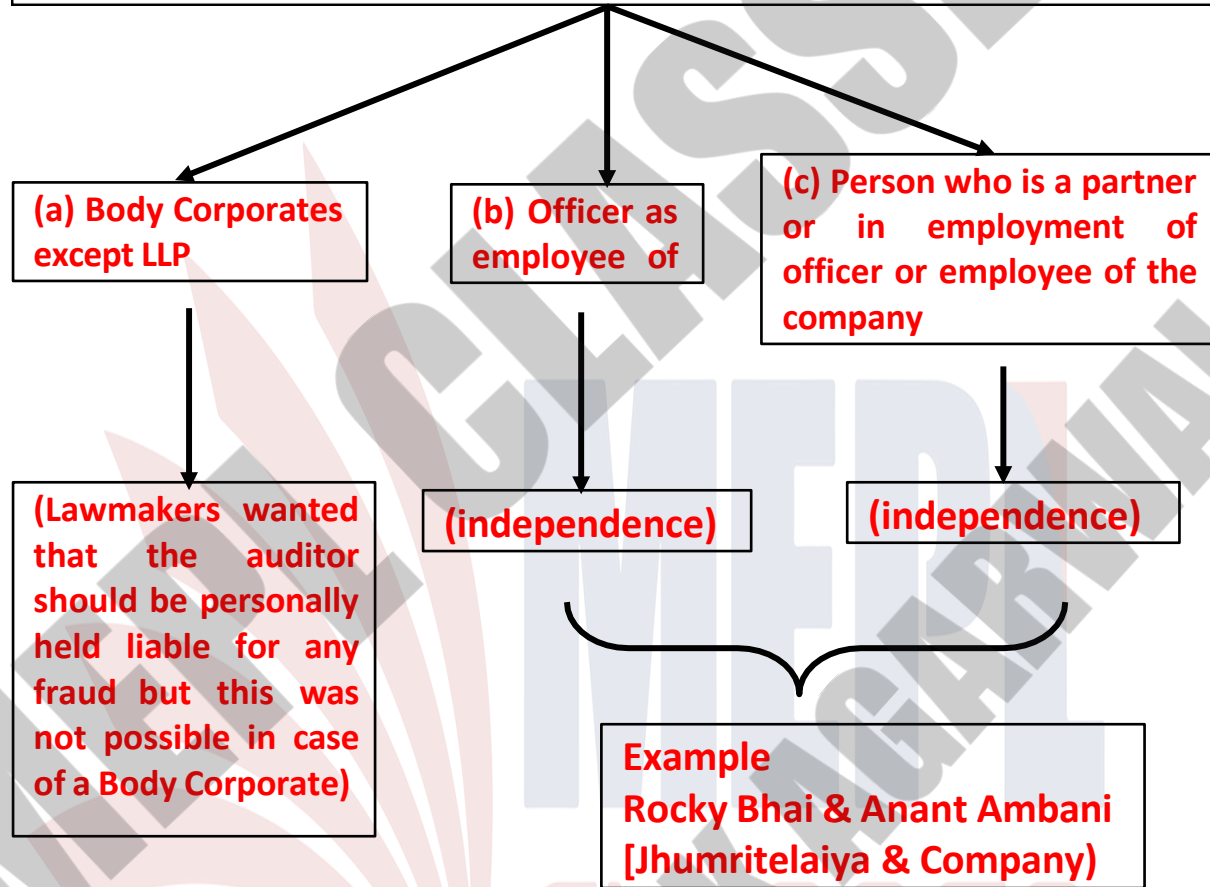
A person can be appointed as an auditor of the company only if he is a qualified Chartered Accountant

Provided a firm can also be appointed as an auditor of the company only if the Majority of the Partners of the firm are qualified CA and Practising in India

### Sec 141(2)

If a firm including LLP is appointed as an auditor of the company, then only the partners who are CA are allowed to act & sign on behalf of the firm

## Sec 141(3) → Disqualification of the Auditor



## Sec 141(3)

**(d) Person is disqualified if he or his relative or his partner**

**(i) holds shares in the company or its holding or its subsidiary or its associate or its Fellow subsidiary (subsidiary of holding)**

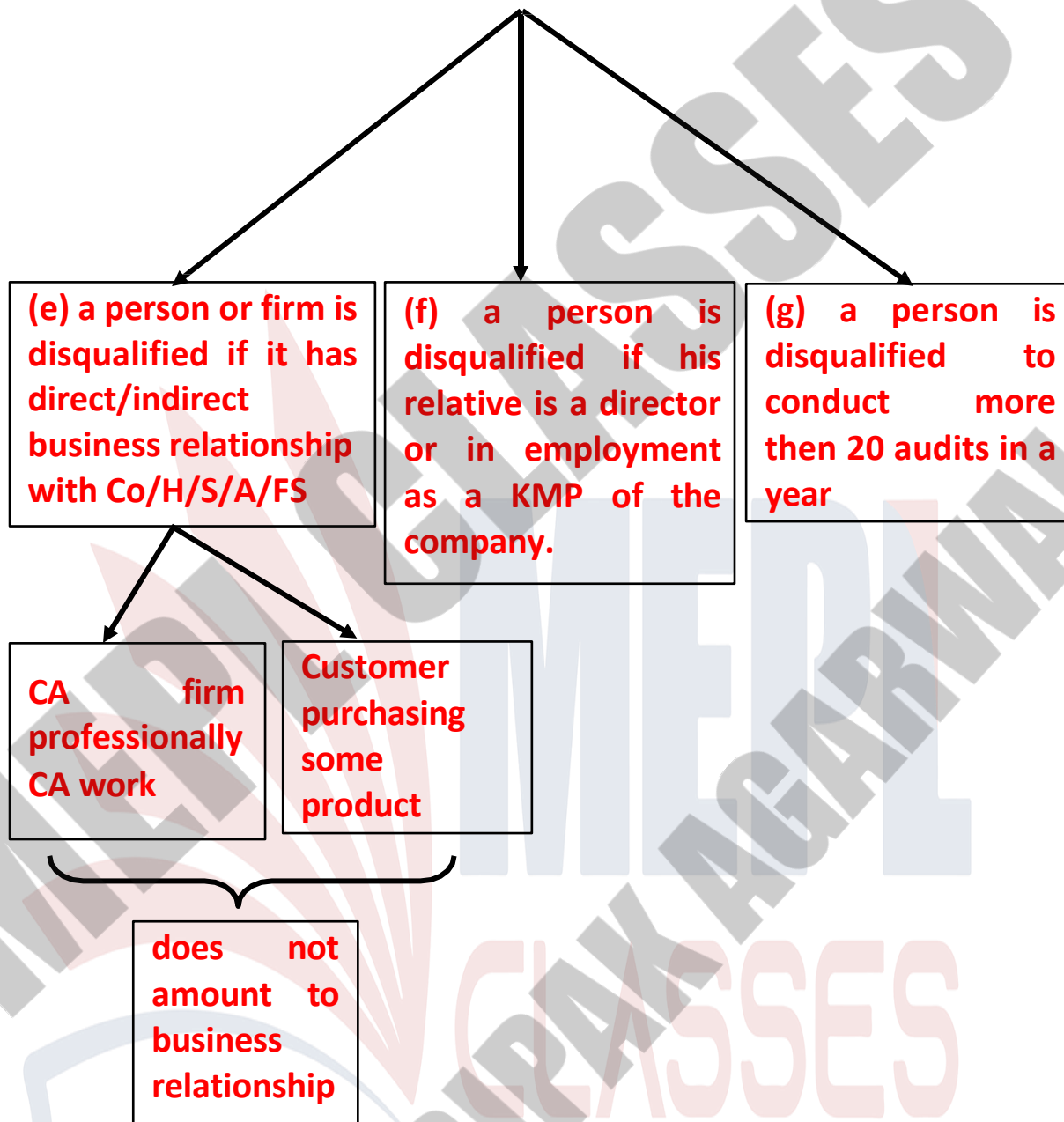
**Example: CA CS Dipak Agarwal, CA Divya Agarwal & Reliance Retail Audit**

**(ii) indebted for an amount exceeding ₹ 5 Lakh in Co/HC/SC/AC /FS**

**(iii) given guarantee as security to Co/H/S/A/FS of any third party for an amount exceeding 1 Lakh**  
**[Example: Chunu Munu]**

**Provided that relative may hold shares in the company of FV not exceeding ₹ 1000 or any other amount as may be prescribed (currently ₹ 1 Lakh)**

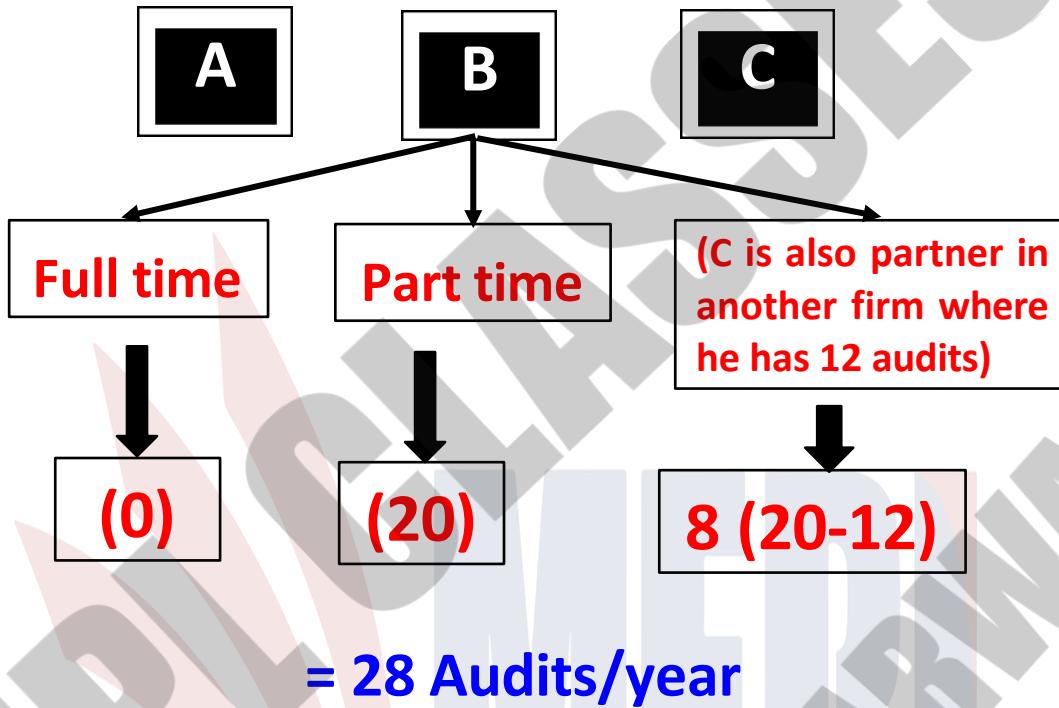
**If relative is holding FV > 1 Lakh than corrective action must be taken within 60 days**



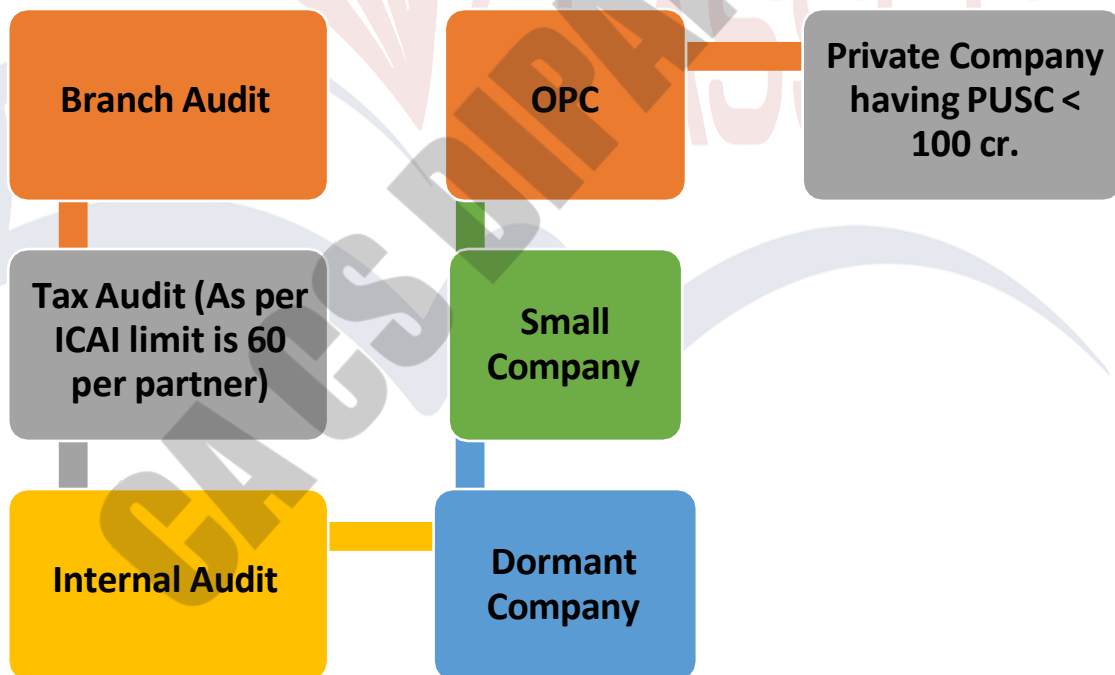
## Discuss Ceiling Limit

Ceiling Limit for no. of audit i.e., 20/partner who is not in Full time employment elsewhere

E.g., ABC are partners of CA firm



Following Audits are not counted in the Ceiling Limit.





(h) A person is disqualified for 10 years from the date of conviction of an offence involving fraud & imprisonment

(i) A person is disqualified if he has rendered any services u/s 144 to the Co/H/S/A/FS

- 
- |                                |
|--------------------------------|
| 1) Investment Banking Services |
| 2) Internal Audit              |
| 3) Investment Advisory         |
| 4) Actuarial Services          |
| 5) Management Consultancy      |
| 6) Business Consultancy        |
| 7) Book Keeping Services       |

Reason → Since, Lawmaker wanted the auditor to be unfamiliar with the management/employee of the company & the financials



to give true & fair view



# Cost & Management Audit

Paper – 17

Chapter – 3: -      Sec – 143 of Co. Act, 2013

## Power & Duties of the Auditor

### Auditor has the right to

access the books of A/cs whether kept at the registered office or other office

The term books of A/c has a broad meaning → includes journal, ledger, day books, financial statement, costing records, statistical & statutory books, voucher, bills etc.

Right to access the books of A/cs of subsidiary & Associates also.

seek information or explanation or clarification from company's officers or employee

### Duty of the auditor to inquire into the fall using matters

a) If company has given loans & advances without Adequate security or terms of the Loan is prejudicial to company's interest

b) Book entries if any passed by company which is prejudicial to the interest of the company.



c) Company sold its investment below cost (Except Banking Company & Investment Company)

d) Loan given by the company shown as Deposits

e) Director's Expense (personal) are shown as revenue expense (or charged to company's revenue A/c)

f) If shares issued for cash, whether such cash actually received or not & proper details relating to issue of shares maintained or not

<u>Cost Auditor</u>	There are other rights also as per Company Act u/s 146 & u/s 145) ICAI guidelines → <u>Right to Lien</u>
---------------------	---

<u>Sec 143(2):</u>	It is the duty of the auditor to comment that according to the information & explanation received by the auditor and to the best of his knowledge & belief whether company's financial statement is giving/showing true & fair view or not.
--------------------	---

Sec 143(3): -

(a) whether all the information & explanation which according to his knowledge were required for the purpose of the audit has been sought & obtained by him (auditor) or not. If not details thereof.

(b) whether Books of A/c (BOA) as by law (required) have been properly maintained by company or not.

(c) whether branch audit report has been received for those branches whose audit was conducted u/s 143(8) by person other than company auditor.

- (d) whether P&L/BS are in agreement with the books or not.
- (e) whether FS comply with Accounting Standards or not.
- (f) auditor observation or comment on the FS which may have any adverse impact on the functioning of company.
- (g) whether any Director is disqualified u/s 164(2)

↓

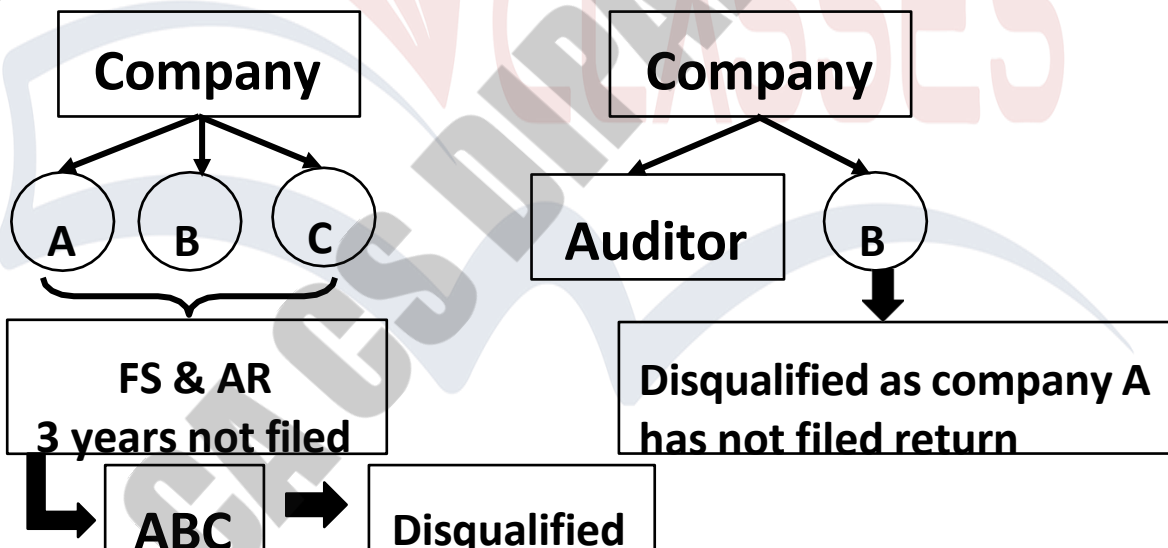
**All director of a company shall be disqualified for next 5 consecutive years if such company default in**

Filing of Financial Statement or annual return for consecutive 3 years

**or**

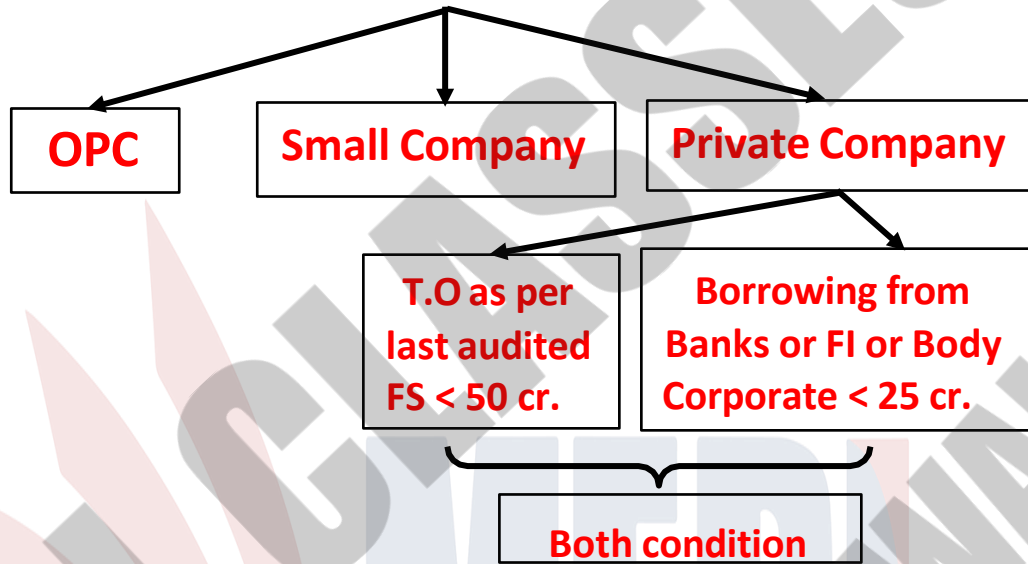
Failed to repay

- ✓ the deposit or interest thereof
- ✓ Debenture or interest thereof
- ✓ Pay dividend (declare) & such default continues for 1 year or more

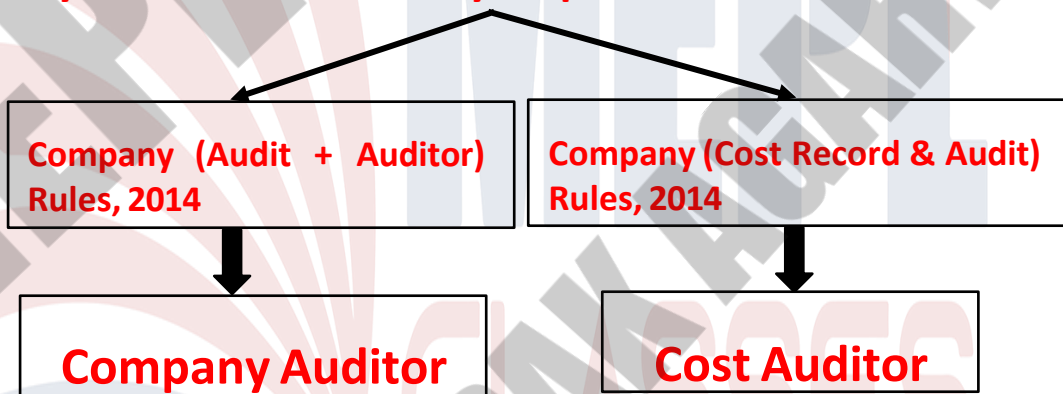


- (h) auditor's comment or observation or any adverse remark regarding maintenance of A/c by company.

(i) whether proper internal financial control related to FS & whether the same is operating effectively or not

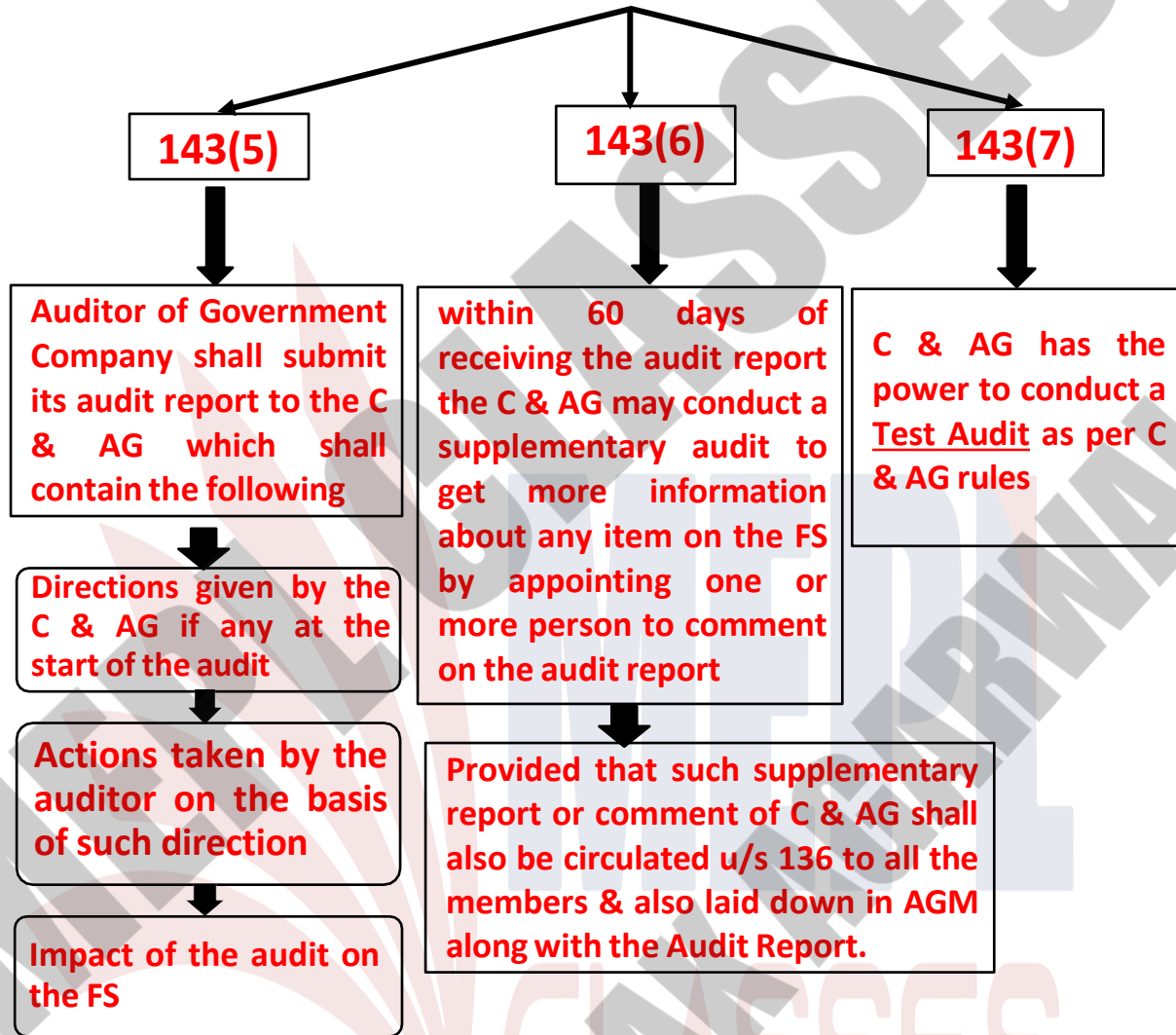


(j) any other matter as may be prescribed



**Sec 143(4):** If an auditor issues an audit report other than clear report he must give reasons for such report.

### Supplementary Audit (Applicable to Government company's)





## Branch Audit 143(8)

**Indian Branch**

**Foreign Branch**

Can be audited by the Company Auditor or any person qualified as an auditor under Company Act, 2013

Can be audited by Company Auditor or a person/accountant qualified as per foreign law

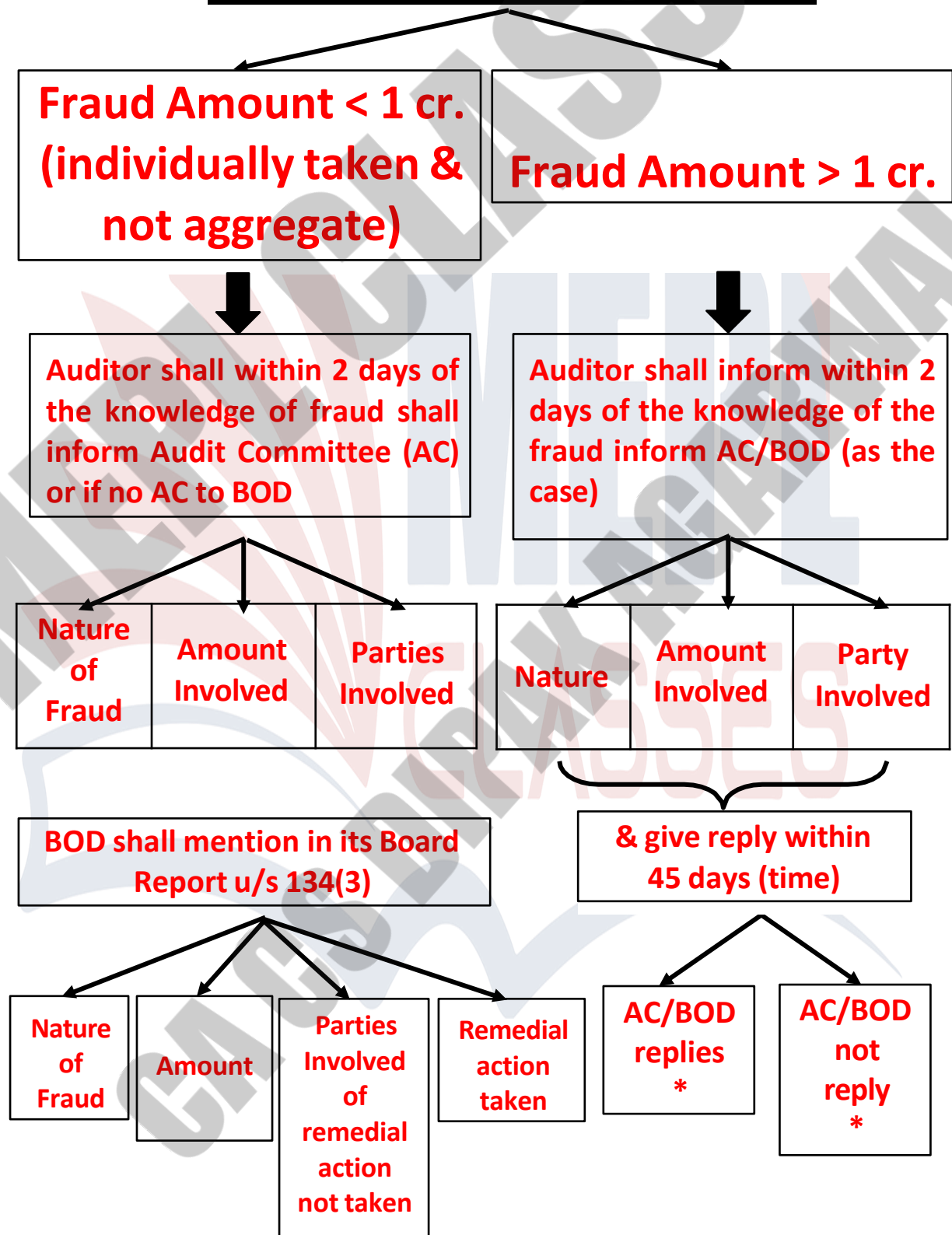
**143(9) → Every auditor shall conduct the audit as per the standards on Auditing**

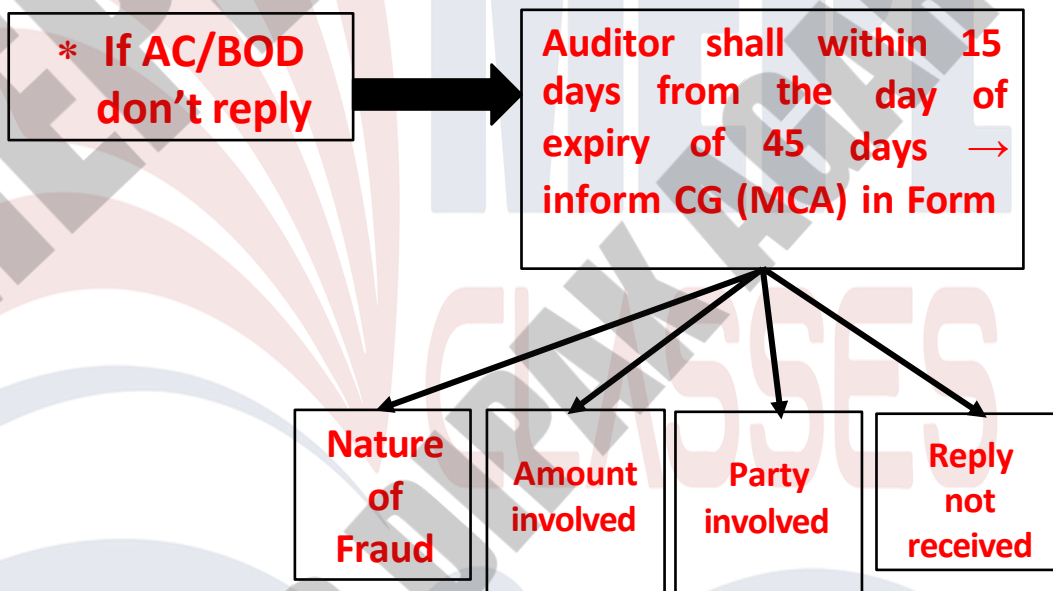
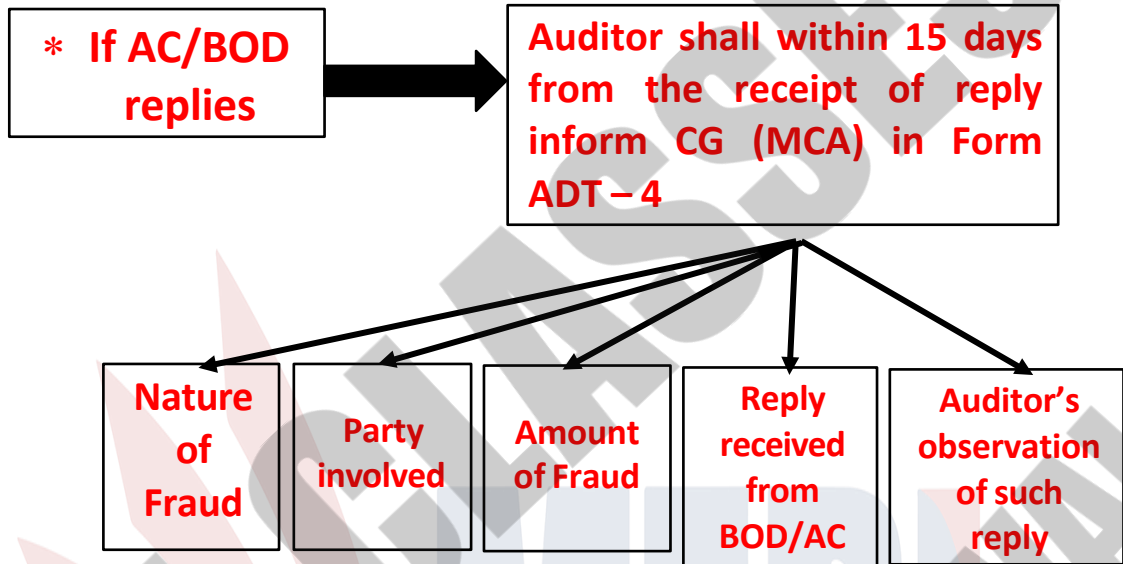
**143(10) → CG shall prescribe the standards on Auditing in consultation/recommendation with ICAI & after consultation with NFRA (National Financial Reporting Authority)**

**143(11) → CG may prescribe Company Auditor Report Order**

**143(12) → Auditor's Duty to Report Fraud done by the Company's Officer or Employee → against the company**

# Read with Rule 13

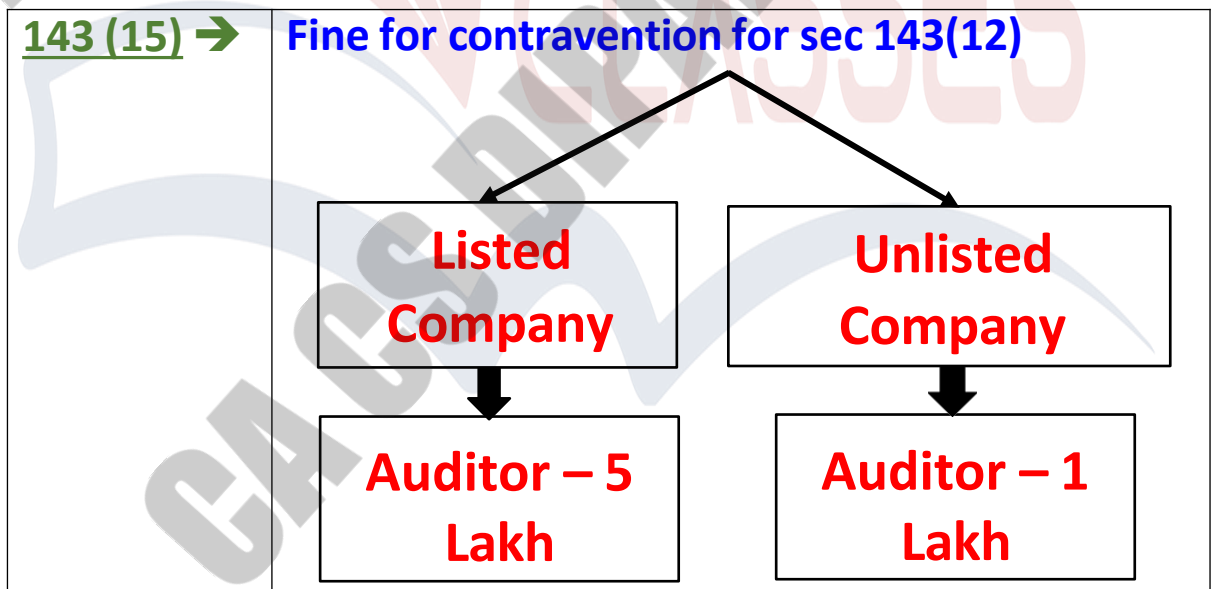
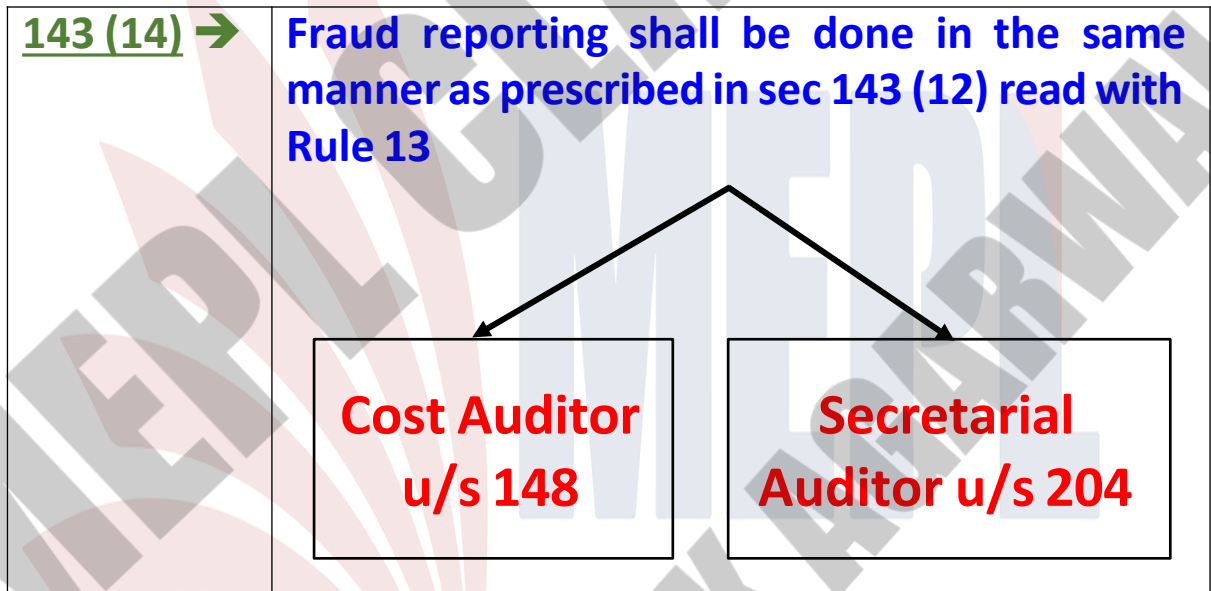




<b>Notes:</b>	<p>1) Form ADT – 4 shall be addressed to the Secretary, MCA</p> <p>2) It shall be sent via speed post followed by EMAIL or registered post with acknowledgement (Registered AD)</p>
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3) It shall be sent by auditor's letterhead containing auditor's details (email, phone number, address etc.)

**143 (13) →** Auditor should not be held guilty if he has exercised good of faith but still unable to discover the fraud





## Sec – 447 – Punishment of Fraud

Fraud Amount  $\geq$  1% of the T.O.

or

10 Lakh whichever is lower

Fraud Amount  $<$  1% of the T.O.

or

10 Lakh whichever is lower

Minimum Fine: Fraud Amount (20 Lakh)

Example: 800 Lakh (8 cr.)

1 % = 8 Lakh or 10 Lakh

Fraud Amount: 20 Lakh

Public Interest is not involved

Fine up to 50 Lakh

or

Imprisonment upto 5 years

Minimum Fine: 3 times of Fraud amount

AND

Minimum Imprisonment: 6 months

Maximum Imprisonment: 10 years

If PI is involved  $\rightarrow$  Minimum Imprisonment

3 years

[The court will decide the punishment if he is found guilty on the basis of the fraud

The court will take decision based on the Act]

## Punishment for False Statement u/s 448

**If any person**

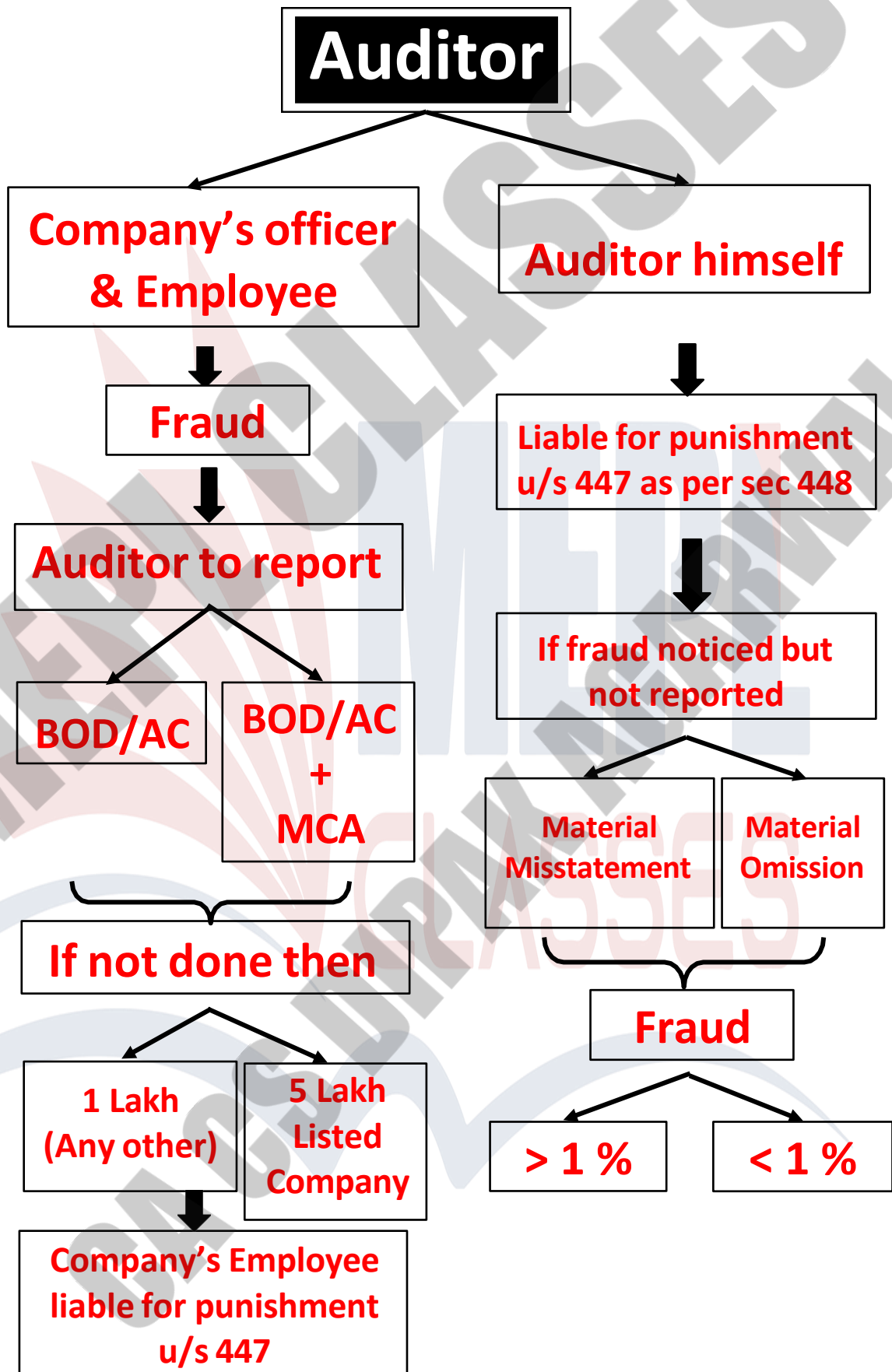
**makes a false statement  
of a material fact knowing  
that it is false**

**or**

**ommit any material  
fact knowing that it is  
material**

**then such person shall be liable for fraud u/s 447**

**Example:** If a cost auditor of the company appointed u/s 448 intentionally gives a false report then as per sec 448 he is liable for punishment u/s 447



**Section applying to Cost Auditor**

1) Qualification & Disqualification: - Sec 141(1), Sec 141(2), Sec 141(3)

2) Power & Duties → Sec 143

3) 447/448

## Appointment, Rotation, Resignation

### Rule-6

#### Rule 6 of (Company Cost Record & Audit Rules 2014)

(1) Rule 6(1)  
180 days → Appointment → Already written  
Before such appointment written consent must be taken from the Cost Audit + Certificate

Sec- 141 → The auditor is qualified to be appointed as a Cost Auditor

He fulfils the eligibility criteria of the Cost & Works Accountant Act, 1959

The company is satisfying the T.O. or the limits specified in the Act + Auditor also within the limits satisfied → 20 audit Limit

List of Proceedings with respect to Professional Misconduct → Partner/Firm/Individual → True &

	Fair (He should give a certificate that these proceedings are correct or not)						
(3)	<p><b>Audit shall continue the appointment</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>180 days from closure of FY</b> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>or</b> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>Till he submits Cost Audit Report</b> </div> </div> <p>180 days → Oct'23 → Vacate Report → Nov → Appointment → His appointment will continue till November</p> <p>Report → July → July term start → His appointment will last till July</p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Casual Vacancy (3A)</td> <td>Removal (3)</td> </tr> <tr> <td>30 days</td> <td>Appointment of New Auditor</td> </tr> <tr> <td>CRA – 2</td> <td>MCA → CRA – 2</td> </tr> </table>	Casual Vacancy (3A)	Removal (3)	30 days	Appointment of New Auditor	CRA – 2	MCA → CRA – 2
Casual Vacancy (3A)	Removal (3)						
30 days	Appointment of New Auditor						
CRA – 2	MCA → CRA – 2						
(3B)	BOD approval of any annexure to Cost Audit Report						
(4)	CRA – 3						
(5)	180 days from end of FY → Cost Audit Report to BOD						
(6)	Cost Audit Report Company to MCA 30 days						
(7)	143(12) → Apply						

<p><u>Resignation of Auditor (Cost)</u></p>	<p><b>The cost auditor shall file within 30 days (From the date of resignation), a statement with the company's Registrar</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <b>50000 Penalty up to</b> </div> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <b>500000 Penalty</b> </div> </div>
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<u>Rotation of the Cost Auditor</u>	<b>The Act is silent about the Rotation of Cost Auditor</b>
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<b>Strategic Positions by a Cost Accountant</b>	
<b>a) Key Managerial Person</b>	<p>As per sec 203 of the Company Act</p> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Sec 203</div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>Managing Director Manager CEO</b> ↓ <b>Whole time director</b> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">CS</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">CFO</div> </div> </div>
<b>b) Independent Director</b>	<p>Sec 149(4) → Total Number of Director → 1/3 → Independent Director</p> <p><b>Rule 5: Company (Appointment &amp; Qualification of Director) Rules, 2014</b></p> <div style="text-align: center;"> <p>↓</p> <p><b>Rule 5</b></p> <p>↓</p> <p><b>Skills are there in the field such as commerce, accounts, tax etc</b></p> <p>↓</p> <p><b>Independent Director</b></p> </div>
<b>c) Technical Member</b>	<b>Tribunal (NCLT)</b>
	<b>Appellate Tribunal (NCLAT)</b>
	<b>Sec 409(3)</b>
	<b>Sec 411(3)</b>

	<b>CMA in Practice with at least 15 years of service</b>	<b>CMA in Practice or Employment</b>
		<b>25 year or more in prescribed area</b>
<b>d) Company Liquidator</b>	<p><b>Sec 275(2)</b></p> <p>↓</p> <p><b>Court shall appoint Liquidator from the list of panels</b></p> <p>↓</p> <p><b>Include CA, CS, CMA or firm or body corporate having</b></p> <p>↓</p> <p><b>10 years or more experience in Company Affairs</b></p>	
<b>e) Administrator</b>	<p><b>Sec 259 (sick companies)</b></p> <p>↓</p> <p><b>Tribunal → List of Panel maintained by</b></p> <p><b>CG</b></p> <p>↓</p> <p><b>CA, CS, CMA, body corporate, firm</b></p>	
<b>f) Cost Accountant as Expert</b>	<p>⊙ "Expert" has been defined u/s 2(33) of Company Act, 2013</p> <p>⊙ The term expert includes a Cost Accountant</p> <p>⊙ Sec 211(2) → SFIO shall be headed by a Director including a list of expert</p> <p>↓</p> <p><b>having knowledge of Banking, Corporate Affairs, Taxation, Forensic</b></p>	

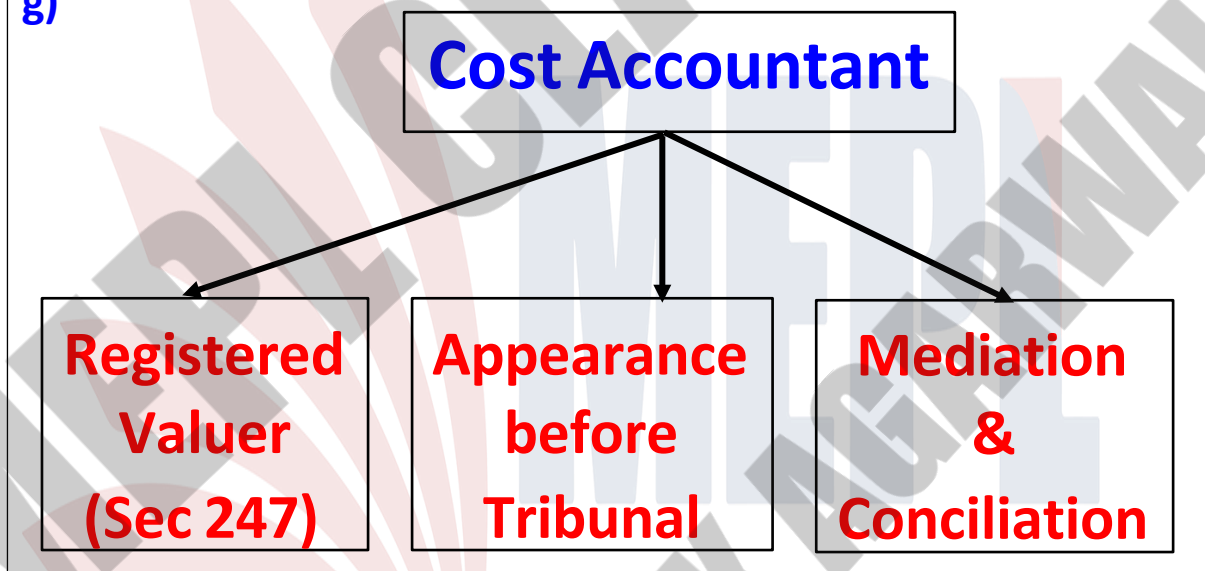
**Audit, Capital Market, Law, IT or any other field**

↓

**He can be treated as a 'expert'**

**Wherever the term expert is used in Companies Act there a reference is made to CMA's also**

g)

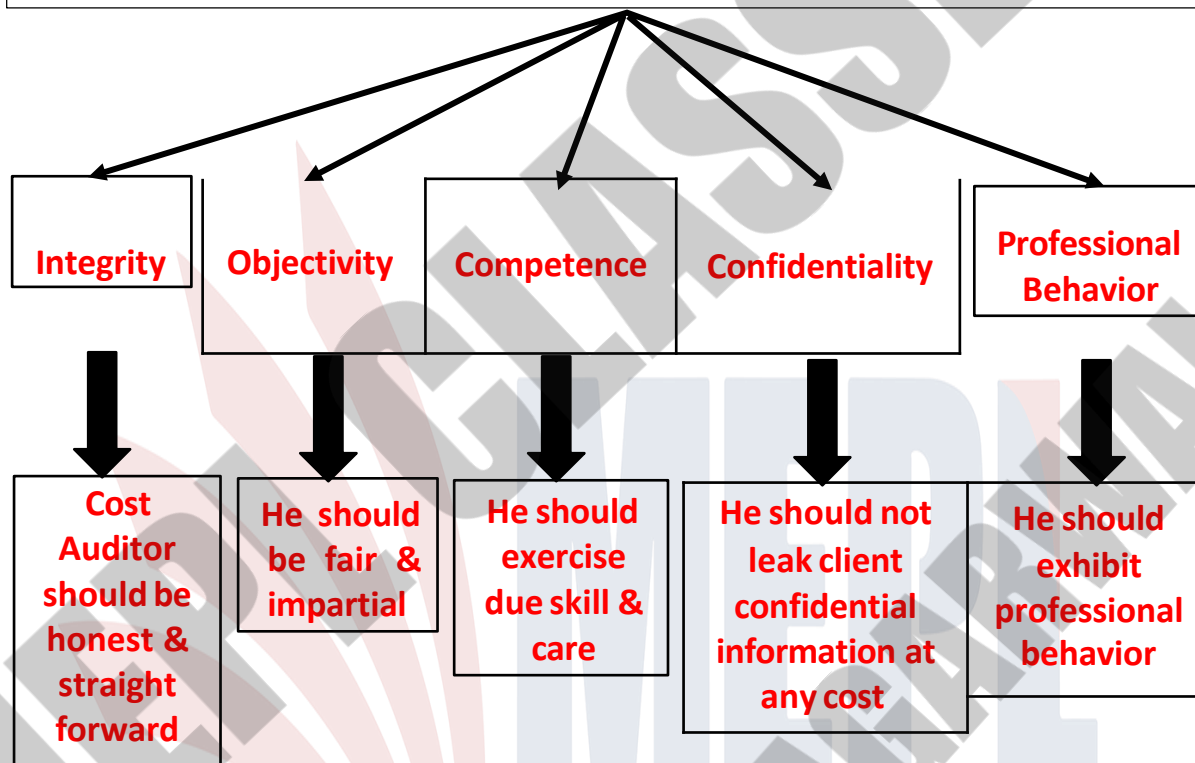


**Code of Professional Ethics**



**Every Cost Accountant Professional should have the aforementioned objectives**

## 5 Fundamental Principles of Cost Accountant



## Professional & Other Misconduct

First Schedule	Part I	Professional misconduct in relation to CMA in practice
	Part II	PM in relation to members of Institute in service
	Part III	PM in relation to members of Institute generally
	Part IV	Other misconduct in relation to member of Institute generally
Second Schedule	Part I	PM in relation to CMA in practice
	Part II	PM in relation to members of the Institute generally



	<b>Part III</b>	<b>Other misconduct to members of Institute generally</b>
--	-----------------	---

<b>Part I [FIRST SCHEDULE]</b> <b>(PM in relation to CMA in practice)</b>	
<b>(1) Allows any person to practice in his name</b>	↓
<b>[CMA in Practice + Partner / Employee]</b>	
<b>(2) Pays/Agrees to pay</b>	↓
<b>Share / Commission / Brokerage in his fees for professional work</b>	↓
<b>[Member of Institute or Partner / Partner's representative]</b>	
<b>(3) Accept/Agrees to accept</b>	↓
<b>any part of the profit of professional work of a person <u>not a member of Institute</u></b>	↓
<b>If done in accordance with point no. (2) than allowed</b>	
<b>(4) Partnership with a person in or outside India</b>	↓
<b>other than CMA in practice or members of other professional body</b>	



**(5) Secure his Professional works (any Professional Business)**



**any person other than his Employee or his Partner [Pt. 2, 3, 4]**

**(6) Solicit Client or Professional work**



**Advertisement / Interview / Circulars / or any other means**

**Referral from other CMA in practice**

**Tender**

**(7) Advertise his professional attainment / services / expression / designation**



**Visiting Card, Professional Documents, Letter Head, Sign Board etc**

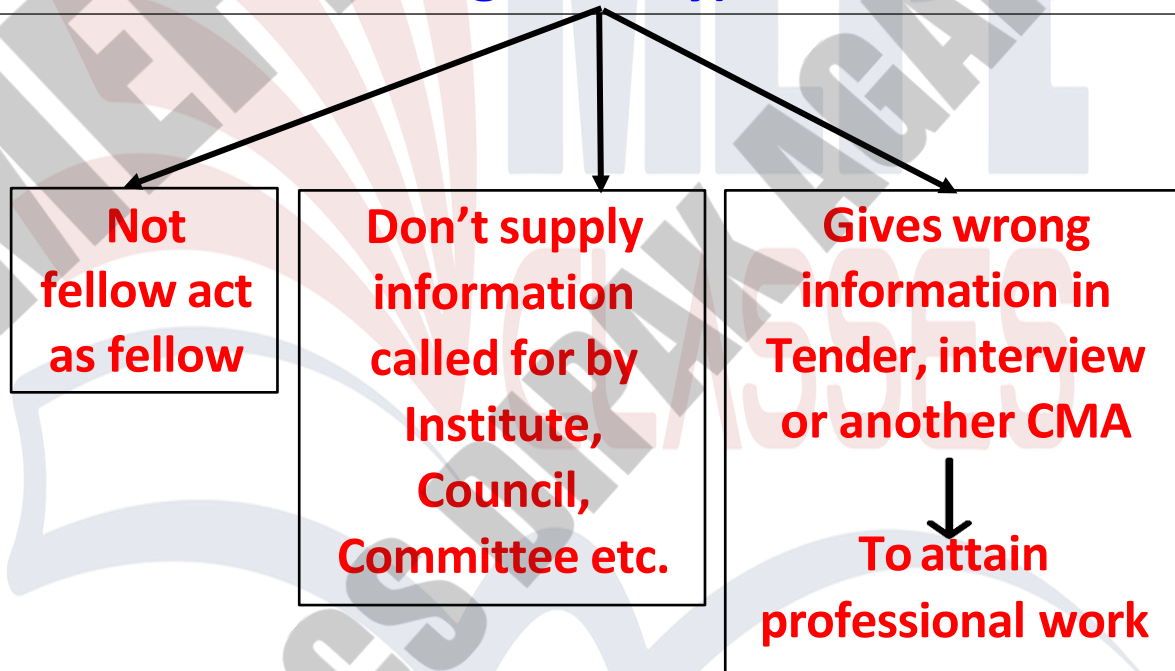


**Other than CMA or degree recognised by Law or other professional degree (such as CA/CS)**

**Part II [FIRST SCHEDULE]  
(PM in relation to member of Institute in  
Service)**

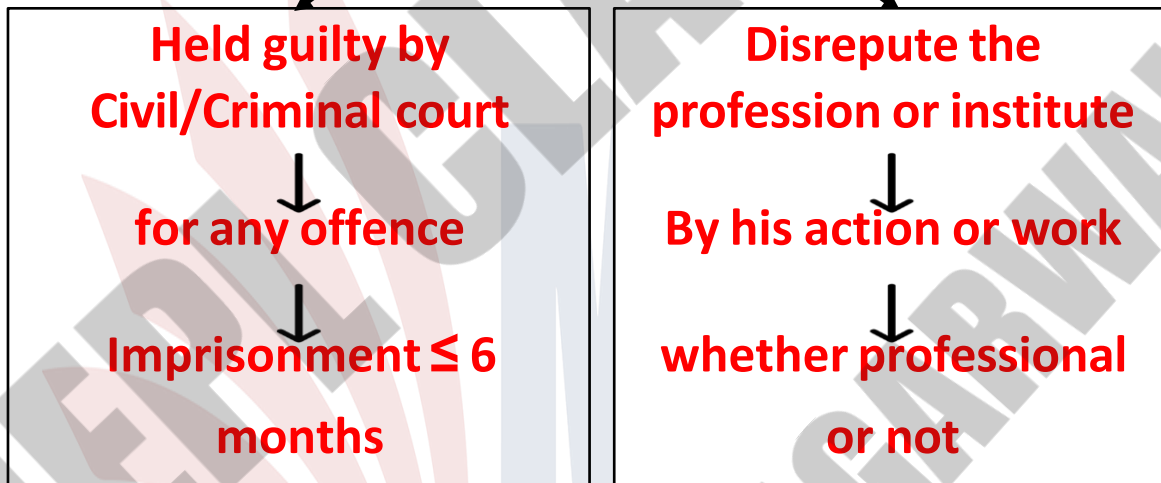
<b>Shares of emoluments in employment</b>	<b>Accept / agrees to accept Profit or gain</b>
	<b>Lawyer / Cost accountant / broker or agent</b>
	<b>Commission / gratification</b>

**Part 3 [FIRST SCHEDULE]  
(PM in relation to member of Institute  
generally)**





**Part 4 [FIRST SCHEDULE]**  
**(OM in relation to member of Institute generally)**



**Part I [SECOND SCHEDULE]**  
**(PM in relation to CMA in practice)**

- |            |  |
|------------|--|
| <b>(1)</b> | <b>Disclose any information acquired during course of his engagement</b><br>↓<br><b>without consent of client or if required by Law in force</b> |
| <b>(2)</b> | <b>Certifies in his name or firm name</b><br>↓<br><b>Report of examination of cost records</b><br>↓  |



	<b>If not done by employee / partner / firm or any other CMA in practice</b>
<b>(3)</b>	<b>Permits his name used in relation to</b> ↓ <b>estimate of cost / earnings of any future transaction</b> ↓ <b>which leads to a belief that the forecast is accurate</b>
<b>(4)</b>	<b>Expression or Opinion</b> ↓ <b>Cost / Pricing statement</b> ↓ <b>Business / Enterprise</b> ↓ <b>Substantial Interest</b>
<b>(5)</b>	<b>fails to Disclose any material facts known to him</b> ↓ <b>Professional capacity</b>
<b>(6)</b>	<b>fails to report material misstatement in the cost / pricing statement known to him</b> ↓ <b>Professional capacity</b>



<b>(7)</b>	<b>grossly negligent in conduct of Professional Duties</b>
<b>(8)</b>	<b>fails to obtain sufficient information necessary for expression of opinion</b>
<b>(9)</b>	<b>attention to material departure from cost accounting principles &amp; procedures</b>
<b>(10)</b>	<b>Fails to keep money received from client other than fees for professional work for use for the purpose intended within stipulated time</b>

<b>Part II [SECOND SCHEDULE] (PM in relation to member of Institute generally)</b>
<b>contravenes any provisions of the Act or guidelines by the Institute / Council</b>
<b>Being an employee of the company / firm / person</b>
↓
<b>Disclose confidential information acquired during the course of employment</b>
↓
<b>Except if required by Law or if permitted by employer</b>



**Give any false information in any statement, firm, return submitted to the institute, council, committee etc.**

**defalcates / embezzles money received in Professional capacity**

### **Part 3 [SECOND SCHEDULE]**

**(Other misconduct in relation to members of the Institute generally)**

**Guilty of offence by any civil/criminal which is punishable with imprisonment of more than 6 months.**

**Note: Both in Schedule First & Second it may be noted that it is said that if the cost accountant or member of institute is guilty of offence**



**(Which is punishable) word is used**

**That means if he is imprisoned or not it does not matter.**

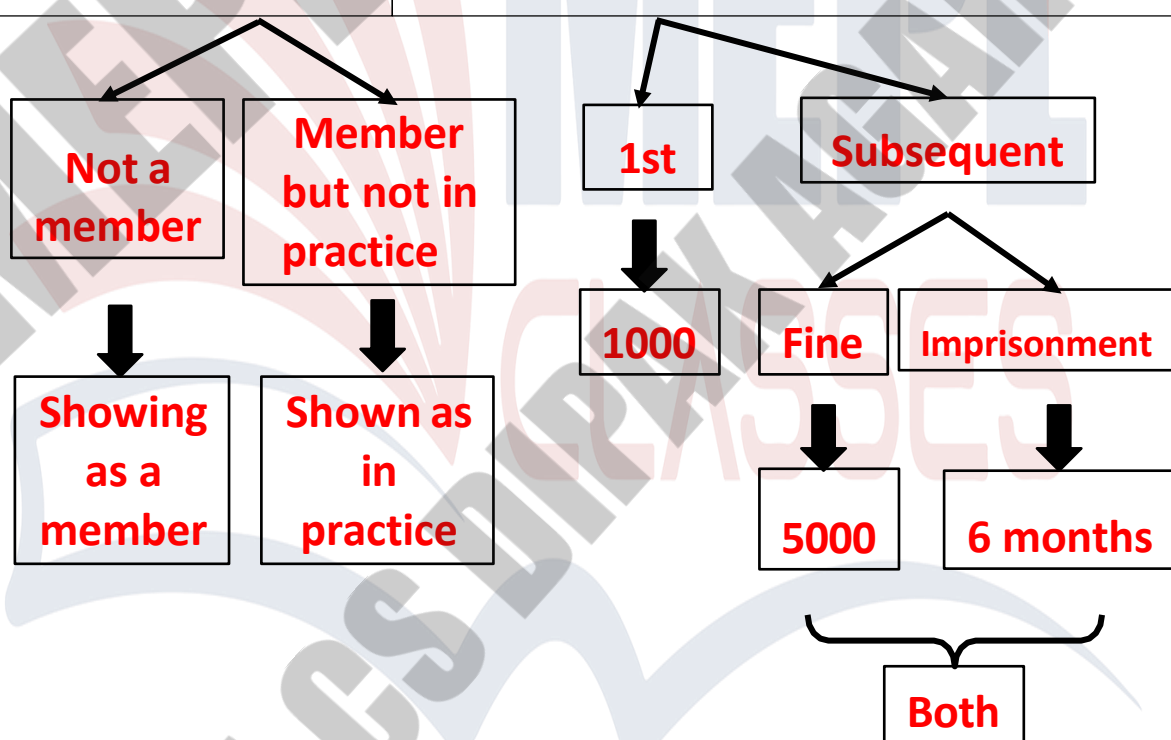
**Ex:** Mr X committed a robbery for which there was a provision in Law for fine or imprisonment of 1 year.

He was released by court on imposition of five of ₹ 5 Lakh but no imprisonment.

Since he is guilty of such offence

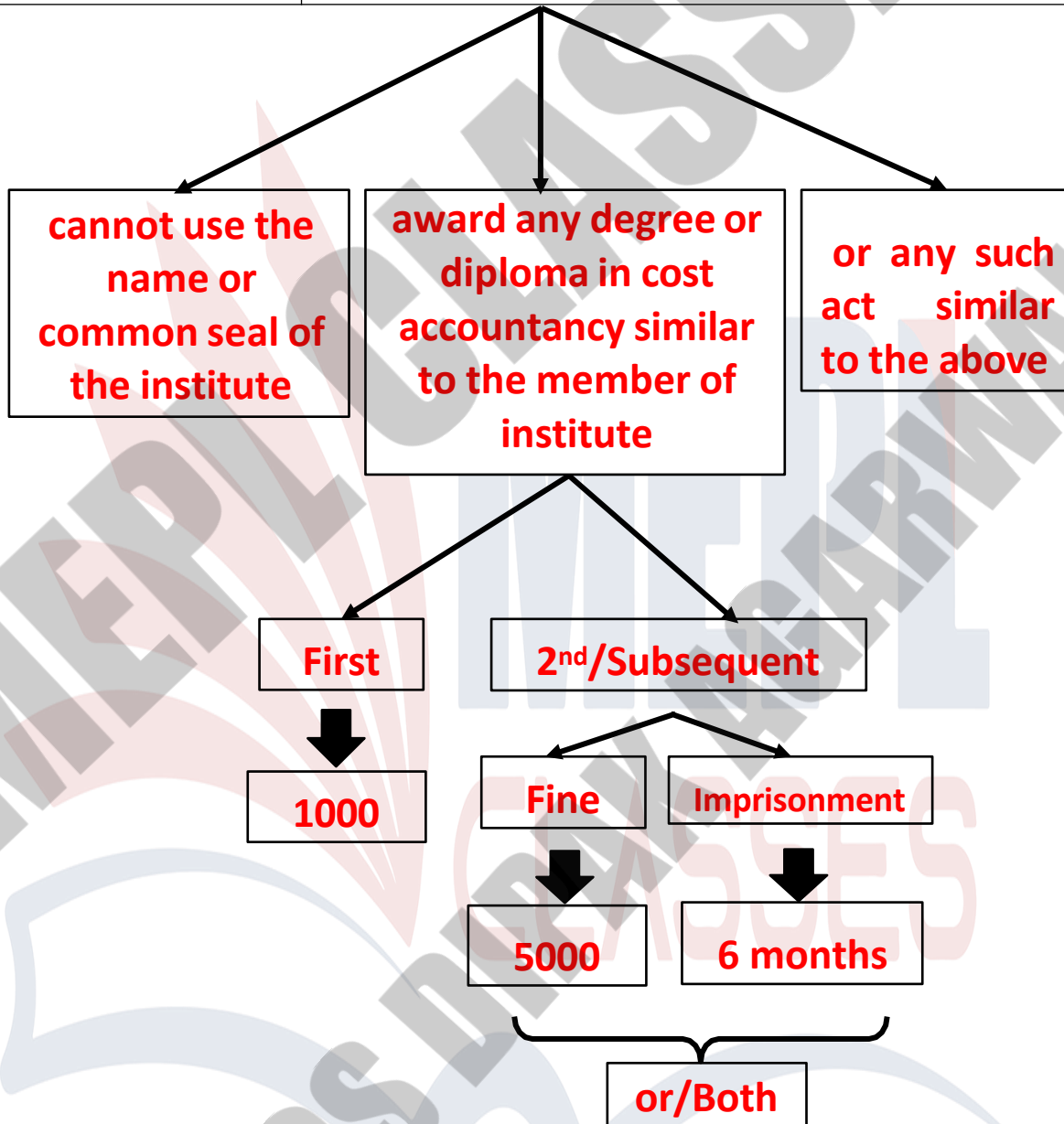
Then he is found / deemed guilty of other misconduct

**Section – 24: If not CMA → Shows CMA**

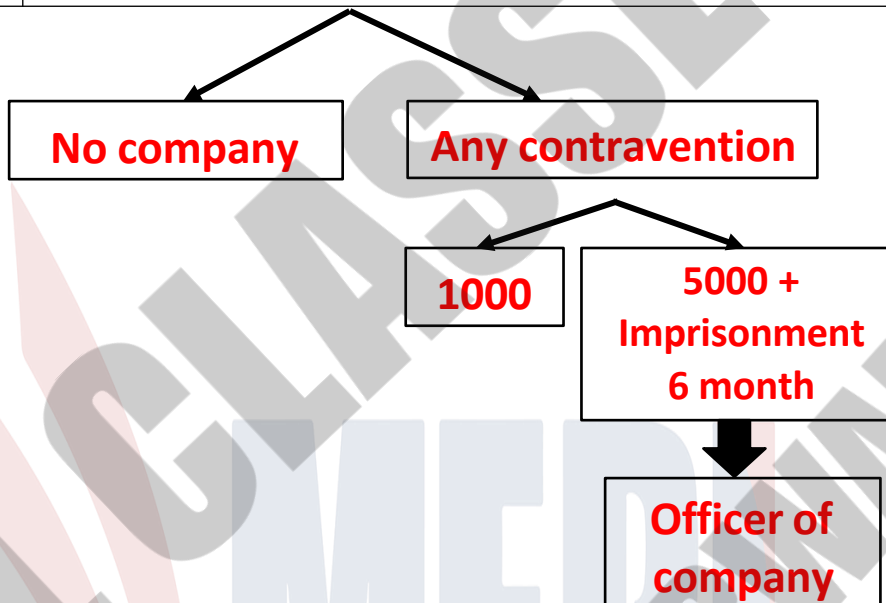




**Section – 25: Penalty for using the name or awarding degree of cost accounting**



**Section 26:** No company shall do cost accountancy work

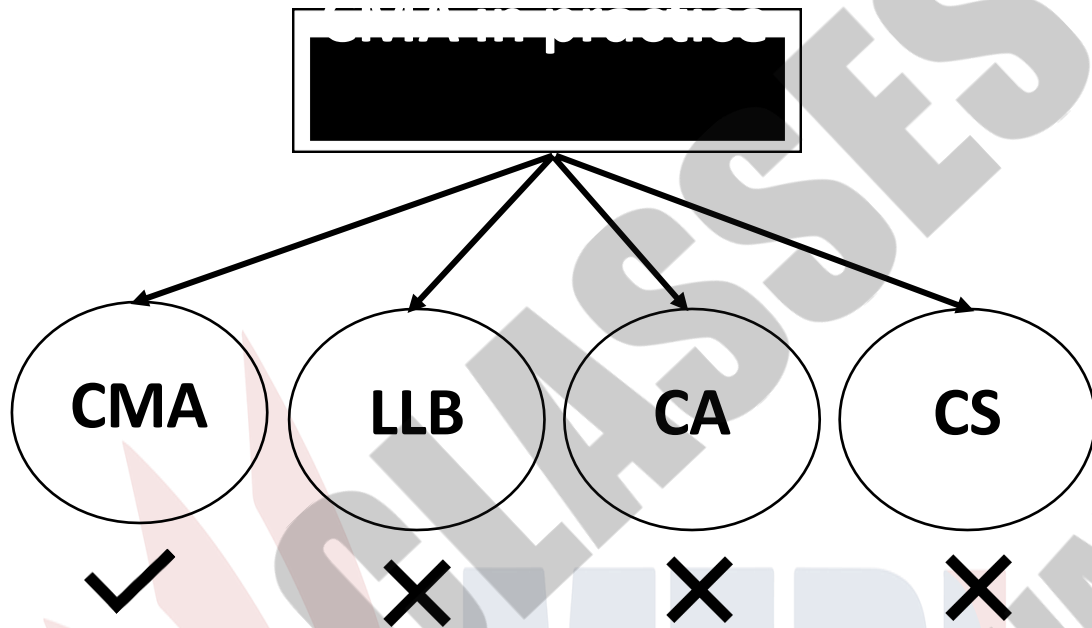


LLP → ✓							
LLP → Partner Company ✗							
<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;">Allowed</td> <td style="width: 50%; text-align: center;">Body Corporate</td> </tr> <tr> <td style="text-align: center;">Firm (PF/LLP)</td> <td style="text-align: center;">Company</td> </tr> <tr> <td style="text-align: center;">Partner Company ✗</td> <td style="text-align: center;">Firm/LLP</td> </tr> </table>		Allowed	Body Corporate	Firm (PF/LLP)	Company	Partner Company ✗	Firm/LLP
Allowed	Body Corporate						
Firm (PF/LLP)	Company						
Partner Company ✗	Firm/LLP						

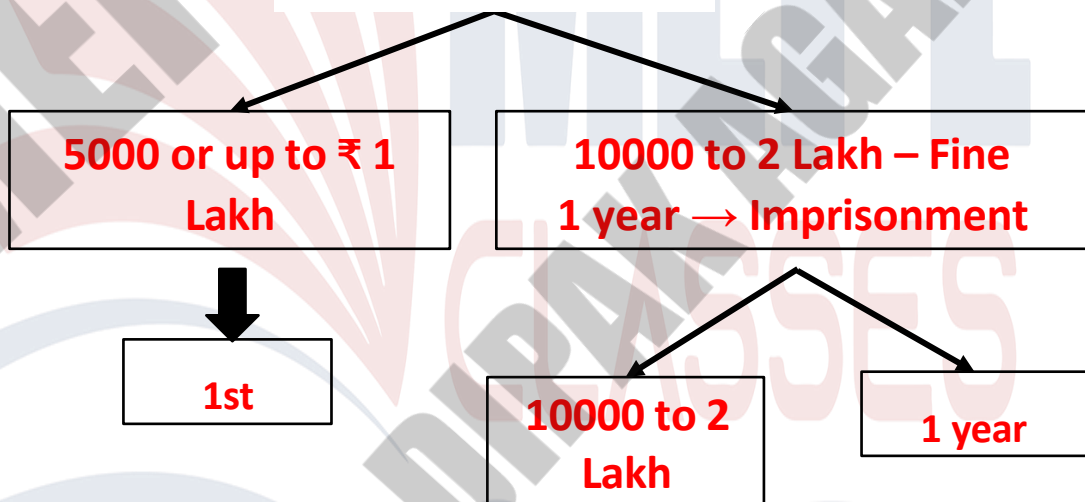
**Section 27:** Unqualified person shall not sign the documents

No person other than the member of the institute

On behalf of CMA in practice or firm of CMA in practice



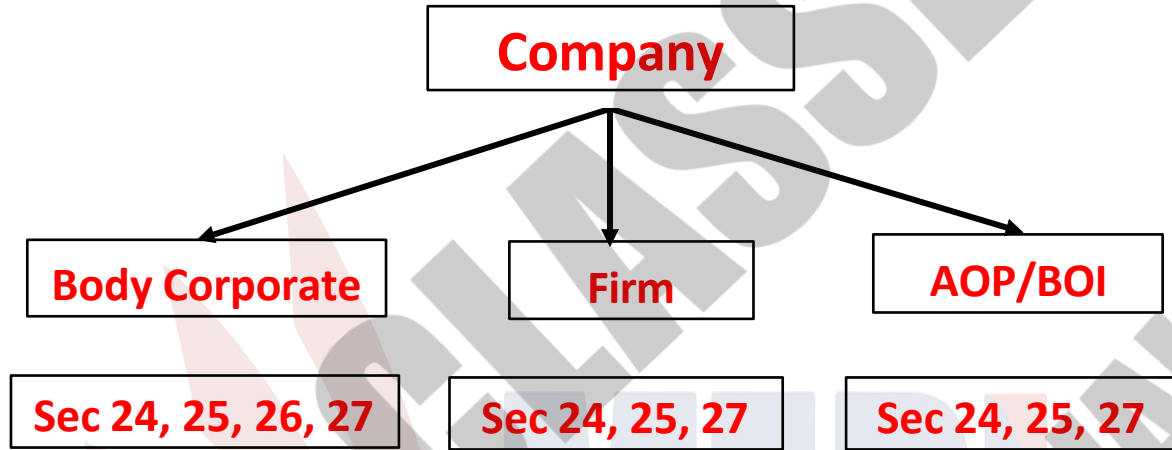
### Contravention



### Section – 28: Offences by the companies

If offence done by company, then the fine shall be imposed on the company as well as the officers / employee who act on behalf of the company → If proved guilty i.e., if proved that the offence was

conducted with knowledge of the officer, employee or management / director of company.



**Section – 29:** No person shall be prosecuted under the act unless a complaint is made by council or CG.

## Chapter – 5: Cost Auditing Standard

**Sec 148(3):** **Cost Auditor should conduct the Audit on the basis of Cost Auditing Standard.**



**Cost Auditing Standards are issued by CASB (Cost Auditing & Assurance Standard Boards)**

**Total Standard's**

**Cost Auditing Standard – 101**



**Planning an Audit of Cost Statements**

**Cost Auditing Standard – 102**



**Cost Audit Documentation**

**Cost Auditing Standard – 103**



**Overall objective of the independent auditor & the conduct of Audit in accordance with the Cost Auditing Standard**

**Cost Auditing Standard – 104**

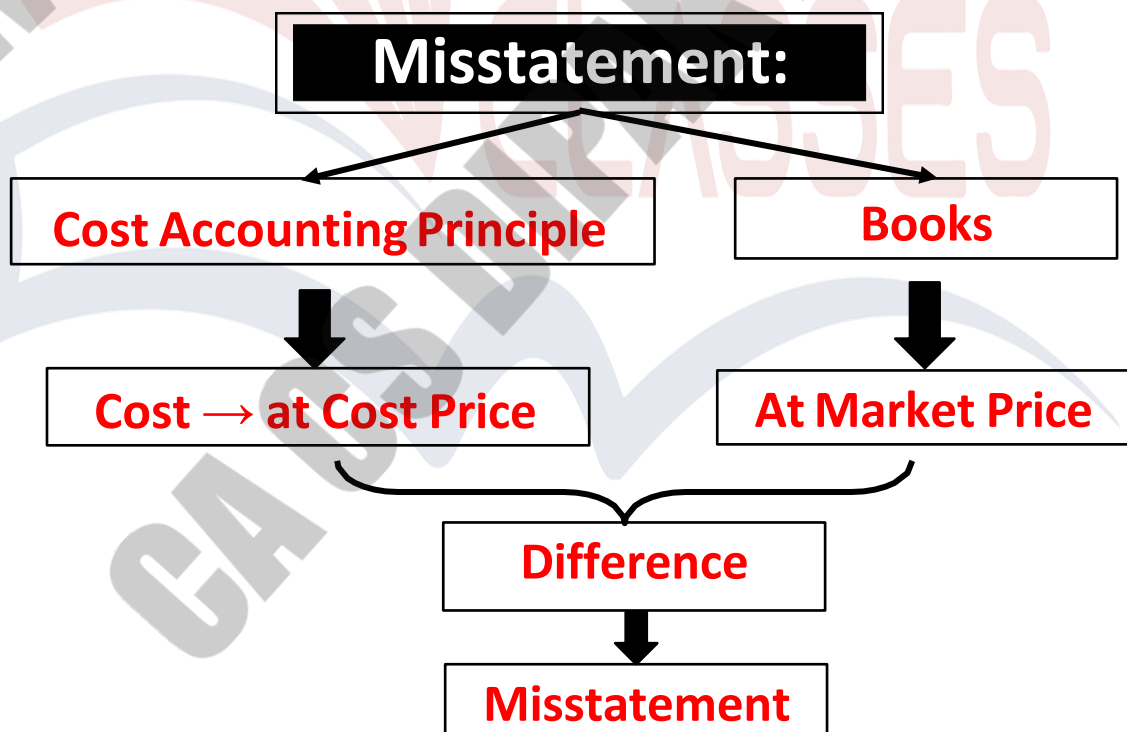


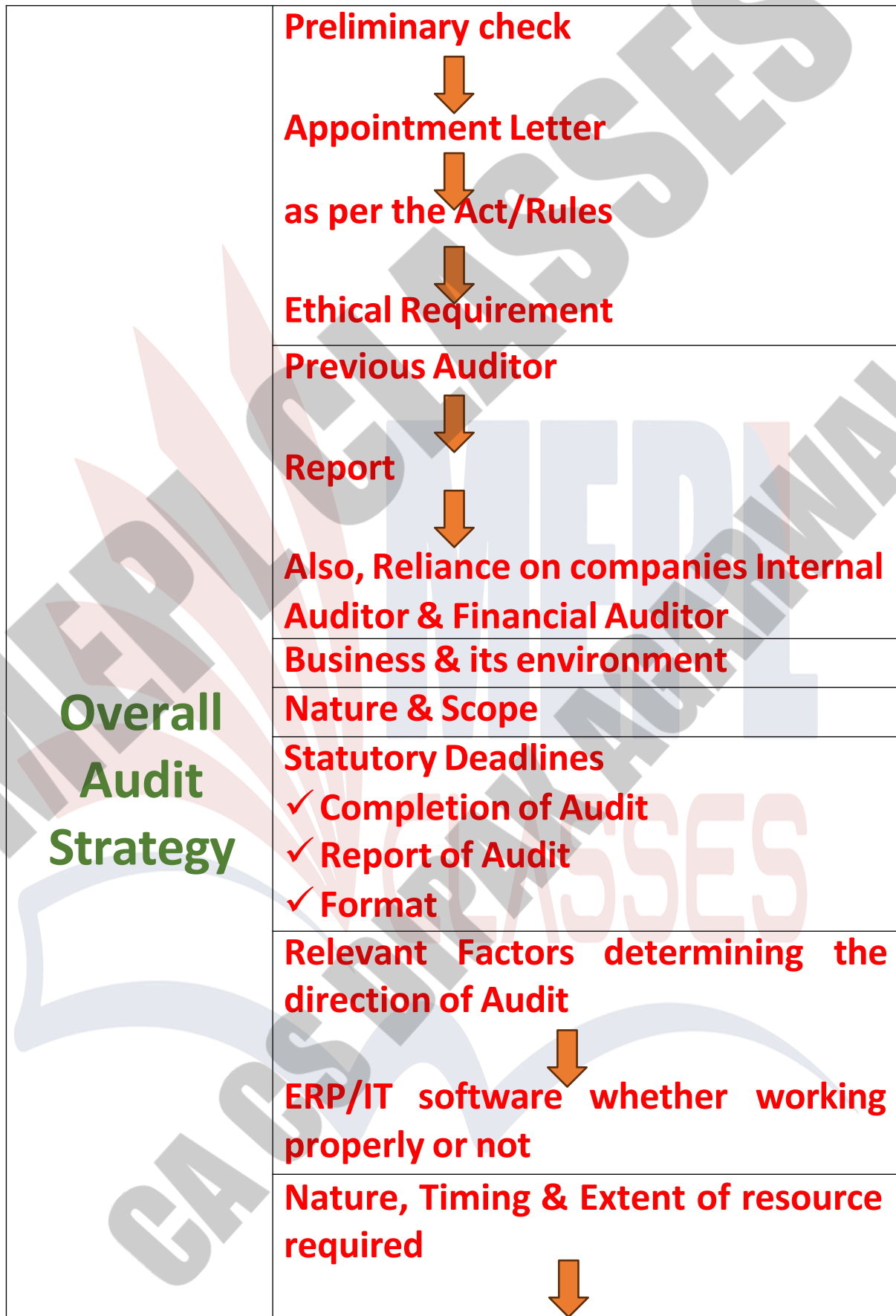
**Knowledge of business processes & business environment**

<p><b>Cost Auditing Standard – 101</b></p>	<p><u>Objective/Scope</u>  <b>Establishing an overall strategy &amp; Audit plan</b></p> <p style="text-align: center;">↓</p> <p><b>For conduct of Audit in effective &amp; efficient manner</b></p>	
	<p><u>Audit Plan</u>  <b>A record of planned nature, timing &amp; extent of Risk Assessment Procedure</b></p> <p style="text-align: center;">↓</p> <p><b>Audit procedures at the <u>assertion Level</u> in response of Audit Risk</b></p> <p style="text-align: center;">↓</p> <p><b>Example – Jute Industry</b></p>	
	<p><u>Audit Risk</u>  <b>Audit Risk = Material Misstatement + Detection Risk</b></p> <p style="text-align: center;">↓</p> <p><b>Audit risk is a risk that the auditor might give an inappropriate opinion</b></p> <p style="text-align: center;">↓</p> <p><b>of a Cost Statement that is materially misstated</b></p>	
	<p><u>Material Misstatement</u></p>	
	<p><b>Inherent Risk</b></p>	<p><b>Control Risk</b></p>
	<p><b>Risk of assignment, measurement &amp; disclosure of a</b></p>	<p><b>Risk of measurement, assignment &amp; disclosure of cost</b></p>

	<b>particular cost in a cost statement</b>	
	<b>That could be material Before consideration of any related control</b>	<b>That could be material That will not be prevented, corrected or detected on timely basis</b>
		<b>By entity's internal, operation or management control</b>

<b>Detection Risk</b>	<b>The risk that a misstatement might not get detected by the risk assessment procedures followed by the cost auditor. The misstatement is material in nature.</b>
-----------------------	--





**Resource required for conducting the Audit**

**The Auditor shall communicate with the previous auditor if the audit was conducted by different firm**

<b>Initial Engagement</b>	<b>Same or initial is Recurring</b>
	↓
	<b>Audit plan &amp; strategy</b>
	<b>Additional Consideration</b>
	✓ Previous Auditor
	↓
	<b>Communication &amp; Report</b>
	✓ Why he was selected
	↓
	<b>Communication with management</b>
	✓ SAAE w.r.t Opening balance
	✓ Audit Strategy

# Cost Auditing Standard – 102

## OBJECTIVE

**Sufficient & Appropriate record**



**Basis of Cost Audit Report [CRA-3]**

**Audit was planned & performed in accordance with the Cost Auditing Standard (+) legal & regulatory framework**

**Audit Documentation**

**means record (physical / electric form) + working papers prepared to or by, obtained or retained by the Cost Auditor**



**Performance of Audit**

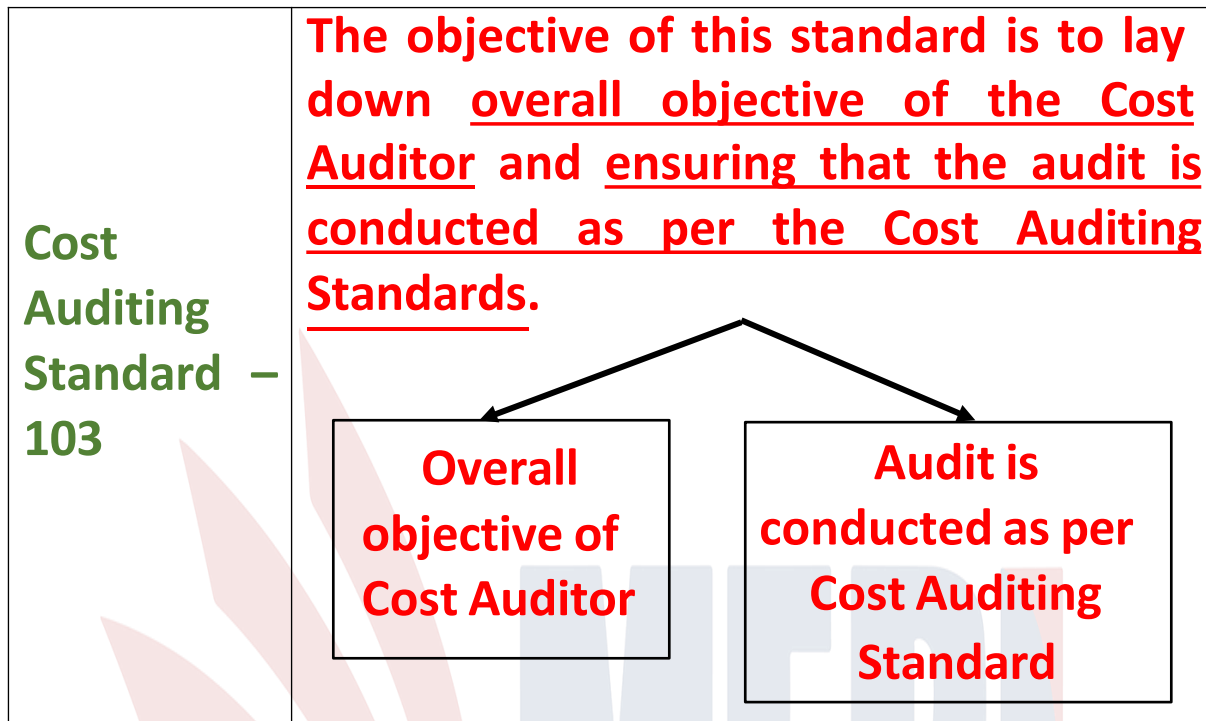
**Audit File:**

**one or more folder containing the record of audit documentation.**

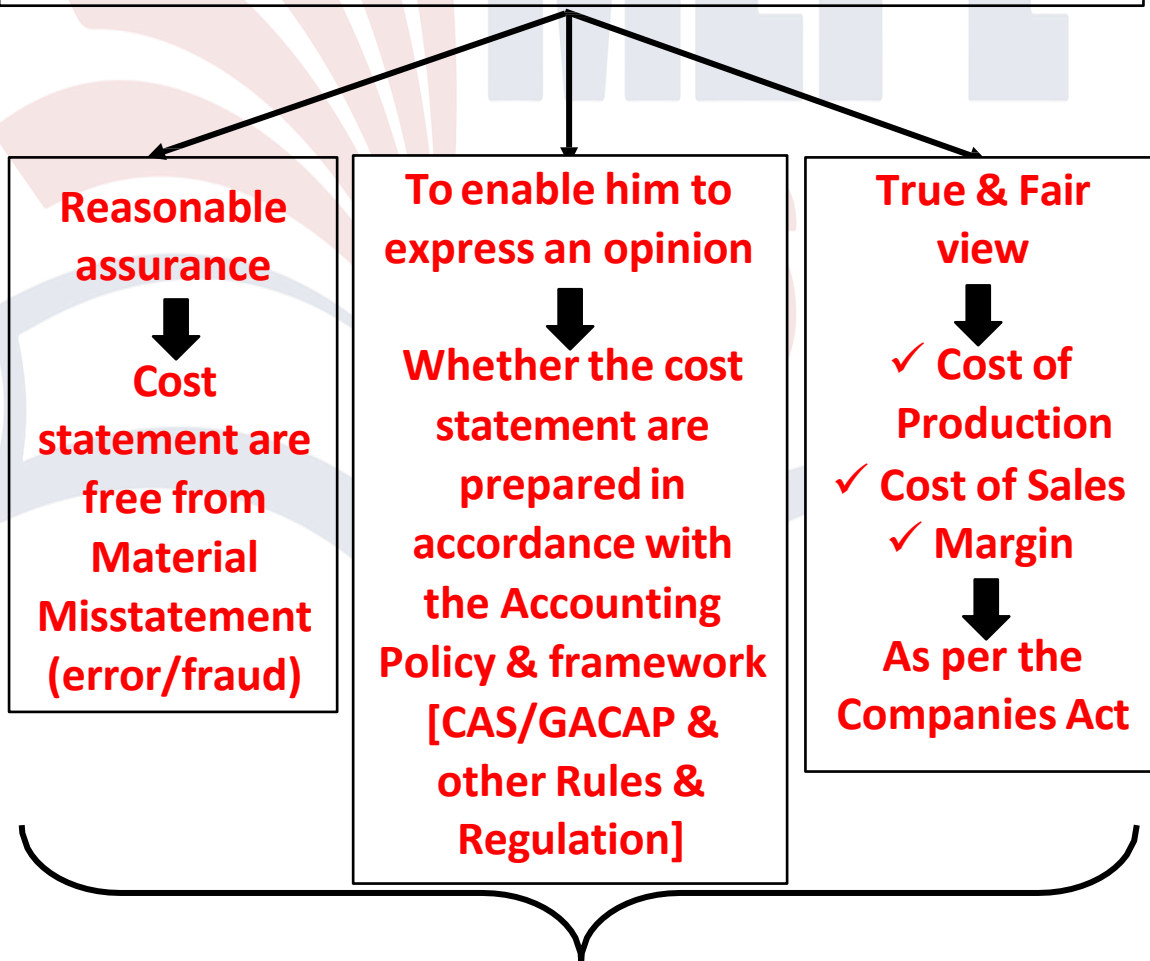
<b>Working papers</b>	<p><b>Record documents / etc of <u>evidence obtained</u> during the course of Audit</b></p> <p style="text-align: center;">↓</p> <p><b>Which shall give an assurance that the audit was conducted in accordance with the auditing standard.</b></p>
-----------------------	---

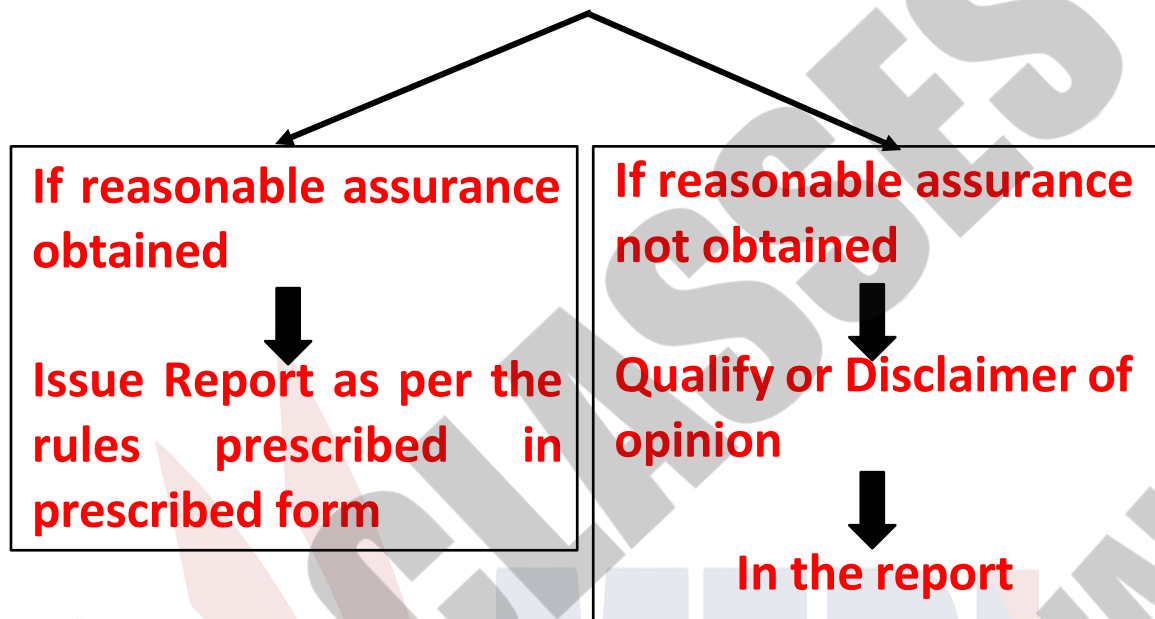
<b>Requirement</b>	<p><b>(1) ✓ Audit procedures performed</b>  <b>✓ Relevant Audit Evidences obtained</b>  <b>✓ Conclusion reached</b></p>
	<p><b>(2) Enable another person to understand (no previous connection with audit)</b>  <b>(+)</b>  <b>Peer review</b>  <b>✓ Audit procedures perform in accordance with Cost Auditing Standard</b>  <b>✓ Legal &amp; regulatory framework</b></p> <p style="text-align: center;">↓</p> <p><b>Performed Audit Procedure</b>  <b>✓ Result of Audit Procedures</b>  <b>✓ Audit Evidence obtained</b>  <b>✓ Significant matters arising, conclusion reached, and professional judgement.</b></p>

<p><b>Audit Documentation Content</b></p>	<p><b>Checklist</b></p> <p>↓</p> <p><b>Auditing Standard</b></p> <p>+</p> <p><b>Legal framework</b></p> <p>+</p> <p><b>GACAP</b></p>
	<b>Audit Programme</b>
	<b>Analysis</b>
	<b>Audit Query List</b>
	<b>Abstract of significant contracts of Cost &amp; Revenues</b>
	<p><b>Letter</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p><b>Third party confirmation</b></p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p><b>Representation with management</b></p> </div> </div> <p style="text-align: center;">↓</p> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p><b>Considering significant matters</b></p> </div>
	<b>Copy of Entity Record</b>



**Overall objective of Cost Auditor**

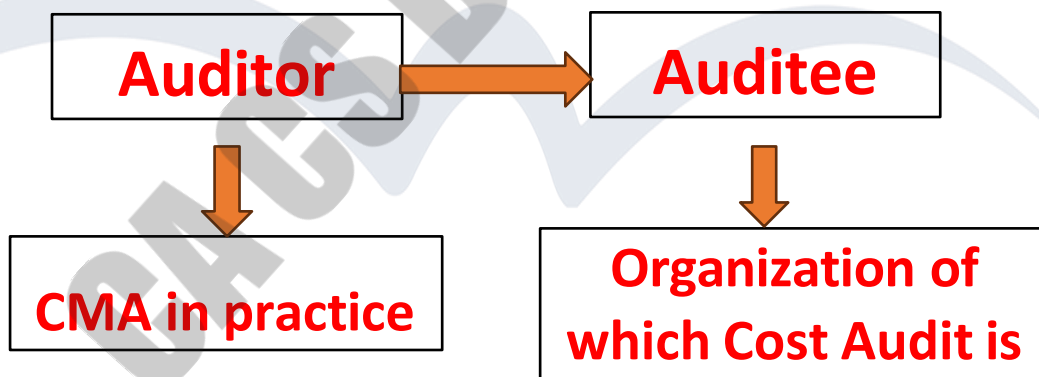




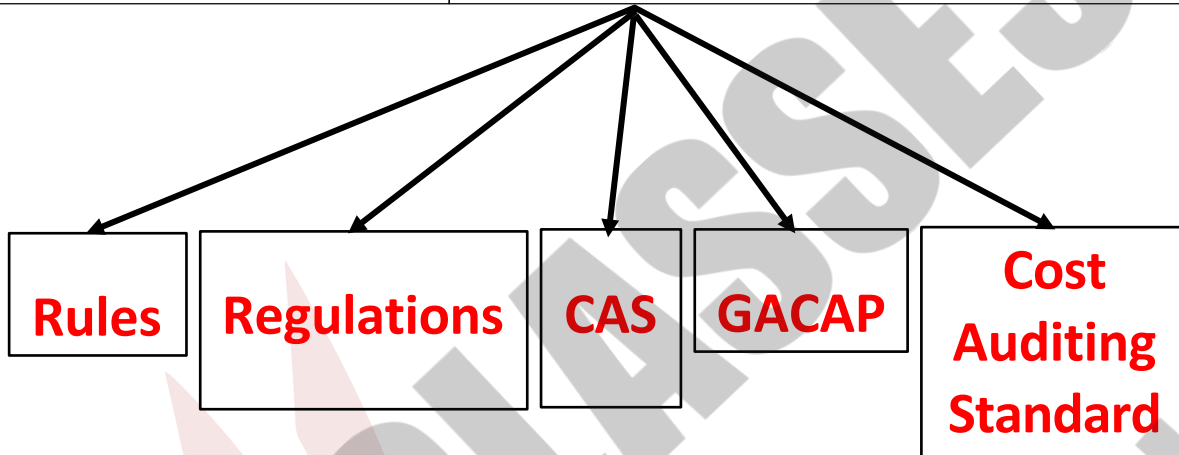
The Cost Auditor may give suggestions wherever necessary

**Cost Audit:** Auditor as per the Cost Auditing Standard

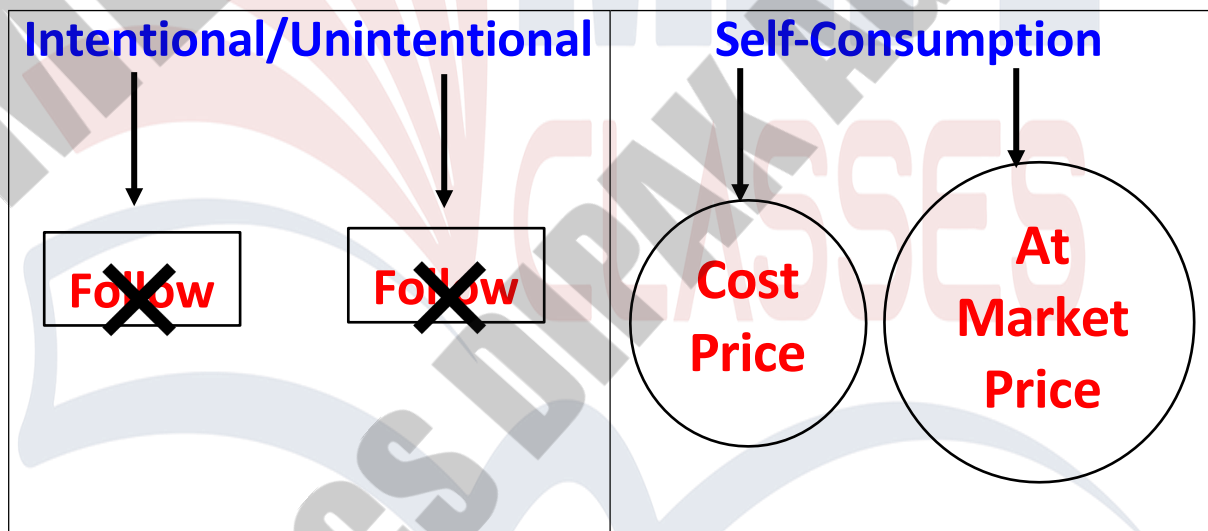
**Management / Company:** Cost statement must be prepared as per the Cost Accounting Standard or GACAP



**Non-Compliance:** **Non-Compliance with the**



**personal misconduct ≠ non-compliance**



<p><b>Personal Misconduct</b></p>	<p><b>When the TCWG / Top Management or management have done some act which is not affecting the books of A/c</b></p>
-----------------------------------	---

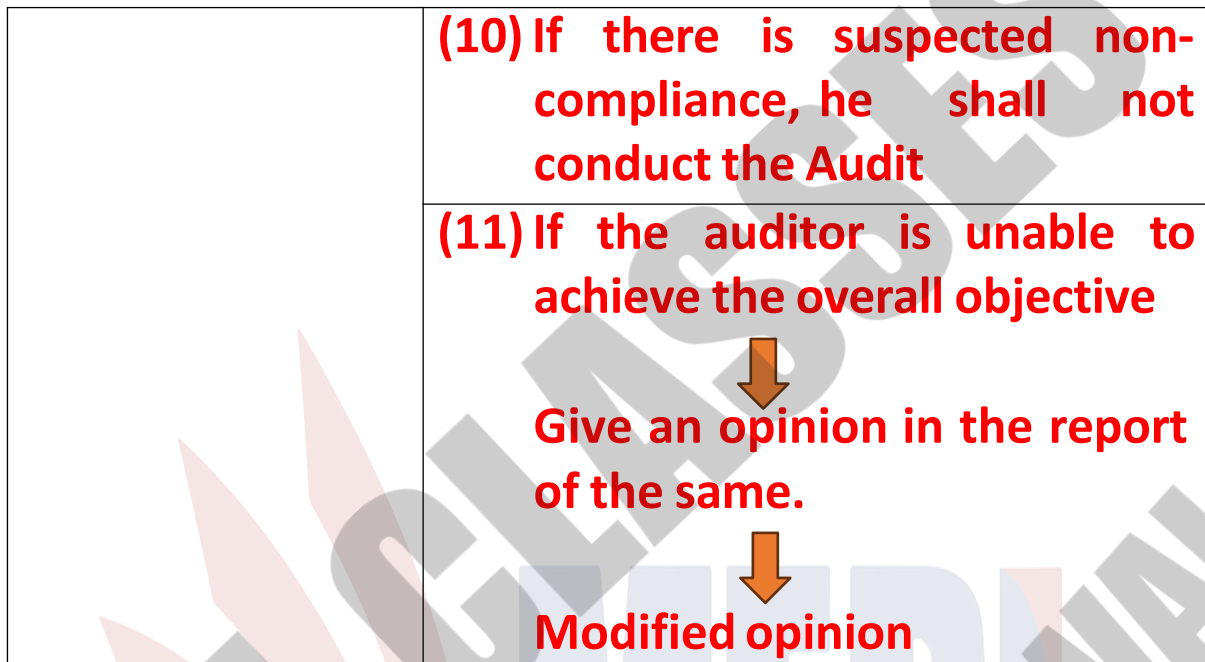
	or Records such as cost records etc but affecting the image of company or the employees or the management.
--	--

<b>Performance Management</b>	<b>Management's compliance with the regulations &amp; rules for preparing Cost Record / Statement.</b>
-------------------------------	--

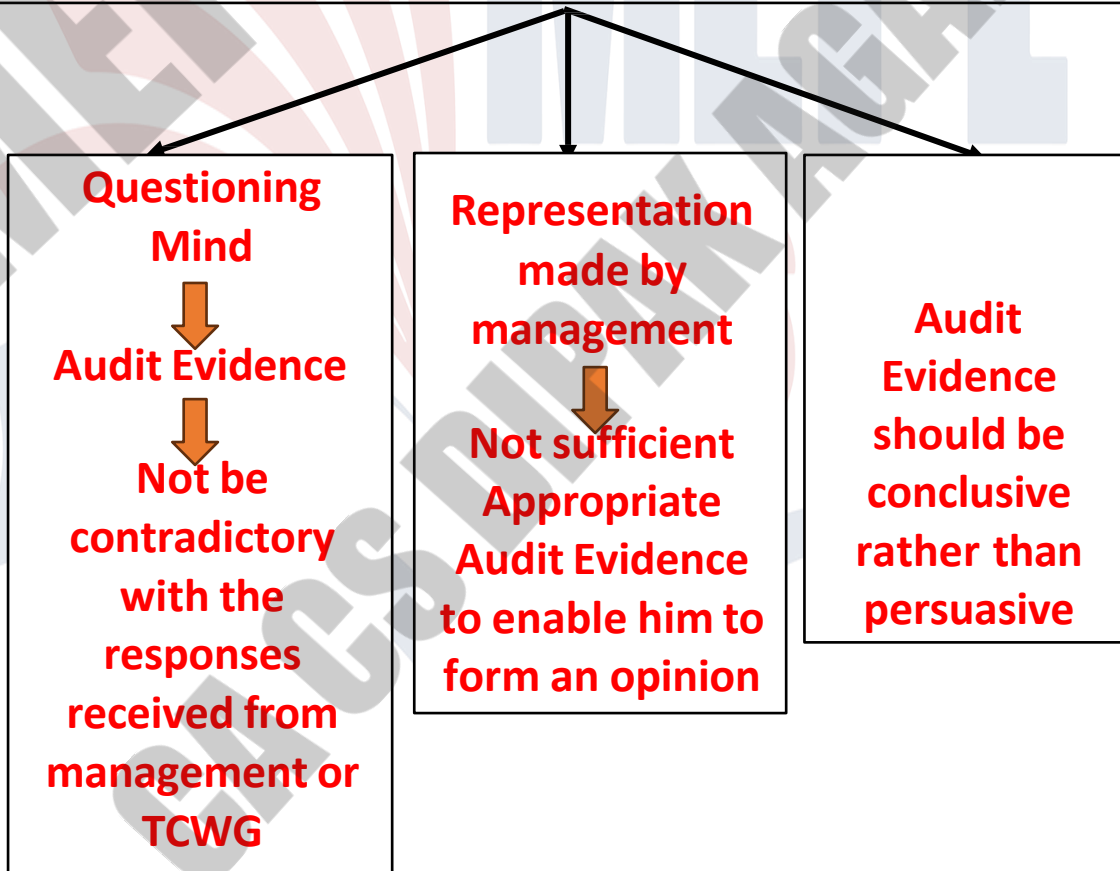
<b>Personal Misconduct</b>	<b>This is not the duty of Cost Auditor</b>
----------------------------	---

	<p><b>(1) Independence</b></p> <p style="text-align: center;">↓</p> <p><b>Ethical requirement</b></p>
	<p><b>(2) Cost Auditing Standard</b></p> <p style="text-align: center;">↓</p> <p><b>Comply</b></p>
	<p><b>(3) Understanding of the entire content / text of each of the Cost Auditing Standard</b></p>
	<p><b>(4) Shall give a report of compliance with all the standard</b></p> <p style="text-align: center;">↓</p> <p><b>Only if he is complying</b></p> <p style="text-align: center;">↓</p>

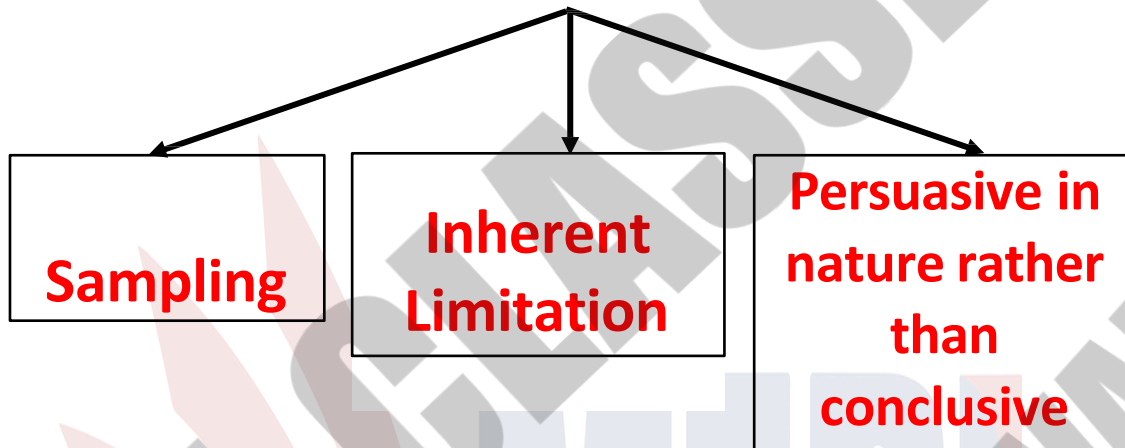
<p><b>Requirement of Cost Auditing Standard 103</b></p>	<p>[i.e., He should not give false statement of compliance with standards]</p>
	<p><b>(5) Exceptional circumstances</b></p> <p style="text-align: center;">↓</p> <p>Can depart from Auditing standards</p> <p style="text-align: center;">↓</p> <p>Perform alternative audit procedure</p>
	<p><b>(6) Professional Scepticism</b></p> <p style="text-align: center;">↓</p> <p>Cost statement is materially misstated</p>
	<p><b>(7) Sufficient Appropriate Audit Evidence AR ↓ → Express an opinion</b></p>
	<p><b>(8) Professional Judgement</b></p> <p style="text-align: center;">↓</p> <p>Conducting &amp; Planning the Audit</p>
	<p><b>(9) Cost Reporting framework (CAS/GACAP)</b></p> <p style="text-align: center;">↓</p> <p>Company Act &amp; Rules thereof</p>



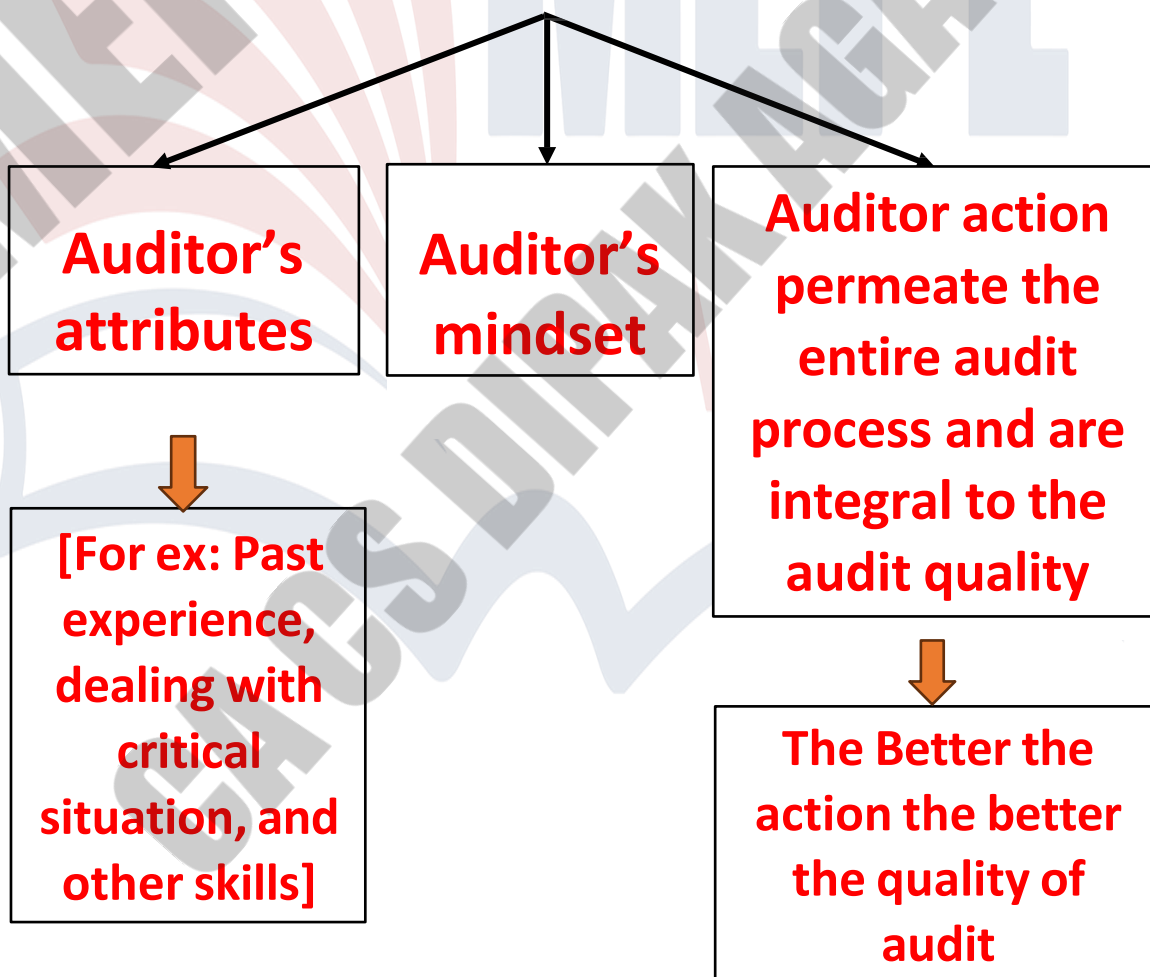
## **Professional Skepticism: -**



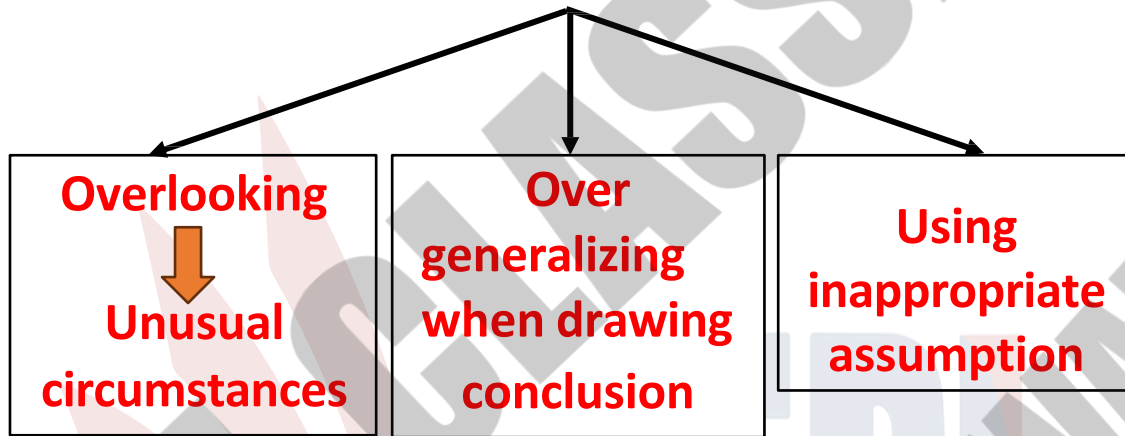
## Limitation to Audit Evidence [Reasonable Assurance]



## 3 elements of Professional Skepticism



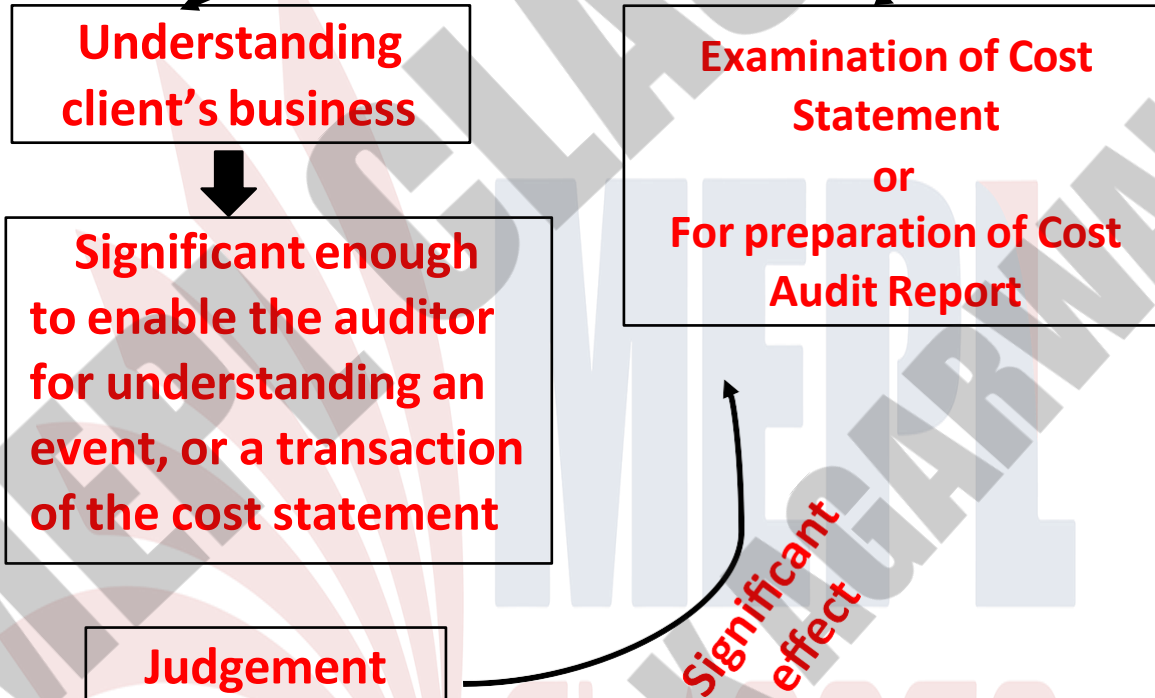
**Professional Skepticism reduces the risk of**





## Cost Auditing Standard – 104

### Overall Objective of this AS



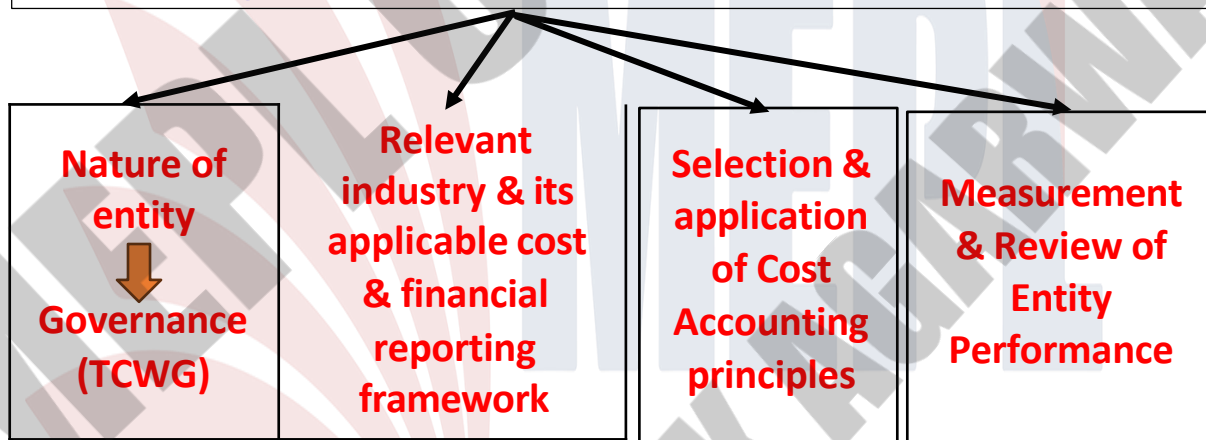


## Requirement

### I. Knowledge of

- a) Business
- b) Business Process
- c) Business Environment

### II. Entity & its Environment

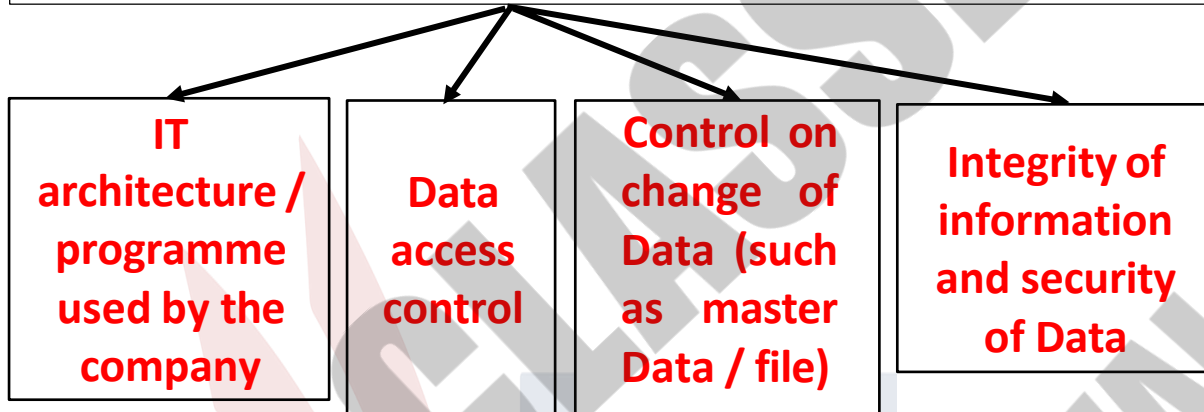


### III. Entity's Internal Control

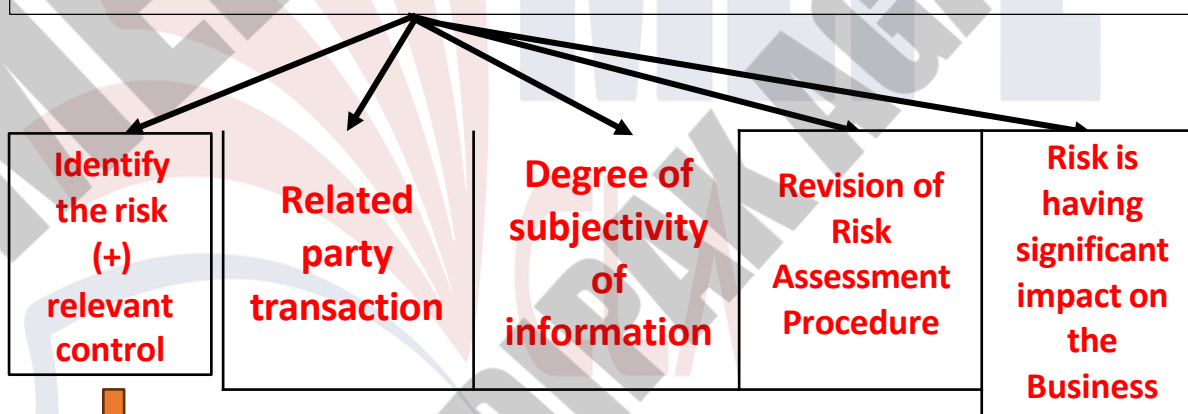




#### IV. IT Environment Control: -



#### V. Identifying & Assessing the risk of Material Misstatement



Material misstatement

#### VI. Documentation

**Note – 1**

No.	Cost Auditing Standard	Effective Date
101	Planning an audit of Cost Statement	11/9/15
102	Documentation of Cost Audit	11/9/15
103	Overall objective of Independent Cost Auditor and the conduct of Audit in accordance with the Cost Auditing Standard	11/9/15
104	Knowledge of Business, its process & environment	11/9/15

# Approval to the Cost Auditing Standard was granted by the MCA u/s 148(3) of the Companies Act on 10/9/15

10/9/15 – Approval

11/9/15 – Effective

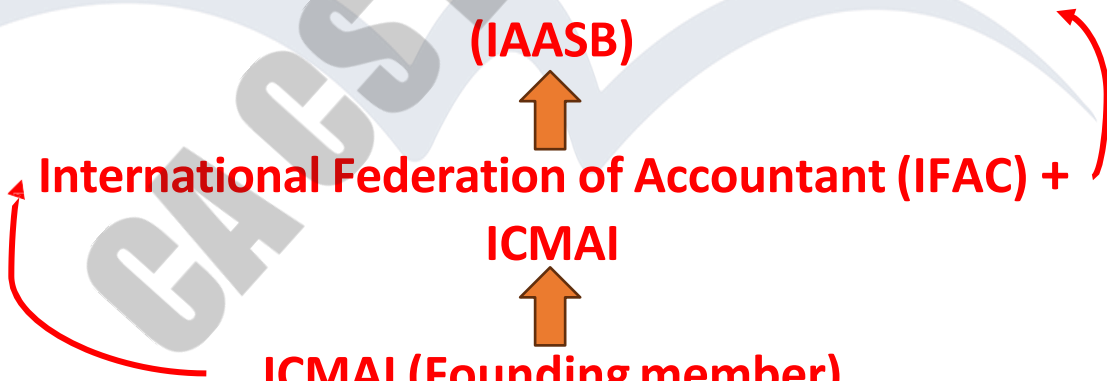
**Note – 2**

**International Auditing & Assurance Standard Board (IAASB)**

**International Federation of Accountant (IFAC) +**

**ICMAI**

**ICMAI (Founding member)**





## Chapter – 6: Audit Programme: [Max 5 marks] or NIL

**Example:** Suppose you have an invitation of a marriage. A marriage invitation has a list of programme along with the time.

**Example:**

### Audit programme

- |    |                           |             |                                     |
|----|---------------------------|-------------|-------------------------------------|
| 1) | Raw Material Verification | 3/9 → 12.30 | <input checked="" type="checkbox"/> |
| 2) | Electricity cost          | 4/9 → 12.30 | <input checked="" type="checkbox"/> |

Audit programme is a detailed layout of audit plan which contains the exact audit procedures to be applied on exact date on exact item of cost statement by cost auditing team.

- ✓ Checklist
- ✓ Work allocation easy
- ✓ Audit Timely conducted
- ✓ Audit objective is achieved
- ✓ Audit is more effective



**Accounting & Auditing query & its significant impact on the overall audit strategy [audit plan & procedure]**

✓ **Professional Judgement**

↓

**Difference between personnel and deciding level which is appropriate.**

**1) Product wise**

**a) Balance of Inventory of FG**

**MIS Report Product wise**

**Opening Stock + Production = Internal Sales**

**(+)**

**External Sales**

**+**

**Closing Stock**

**MIS Report**

<b>Product</b>	<b>Opening Stock</b>	<b>Closing Stock</b>	<b>Internal Sales</b>	<b>External Sales</b>	<b>Closing Stock</b>

**b) MIS report of capacity utilisation of previous 5 years**

Product	Year 1	Year 2	Year 3	Year 4	Year 5

c) Underutilisation → Management

d) Underutilisation after any addition

2) Raw Material

a) Opening Stock + Purchase = Consumption + Closing Stock

b) Input / Output Ratio 2 to 5 years

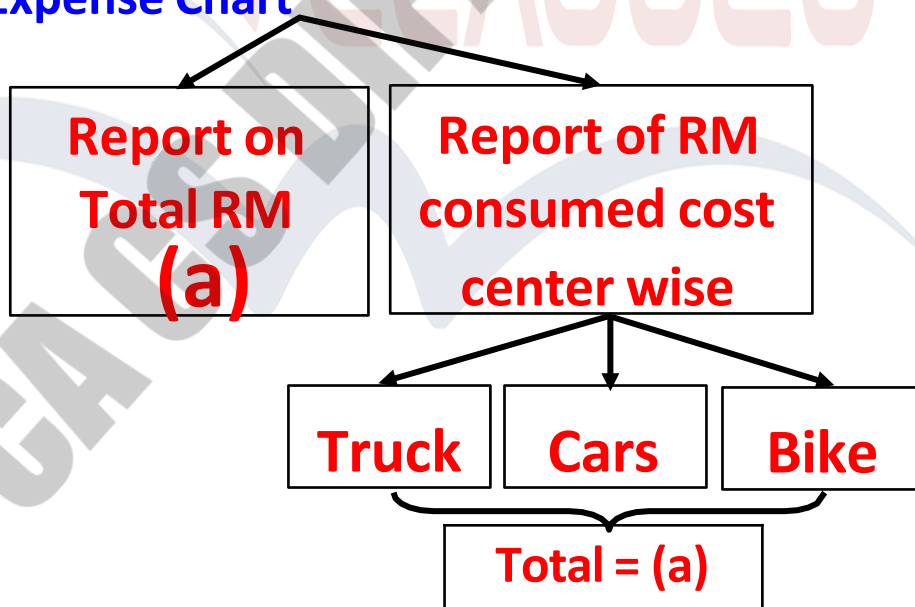
c) Normal loss should be considered = Consumption

d) Residual Raw Material = If unusable = Consumption

e) Research & Development team

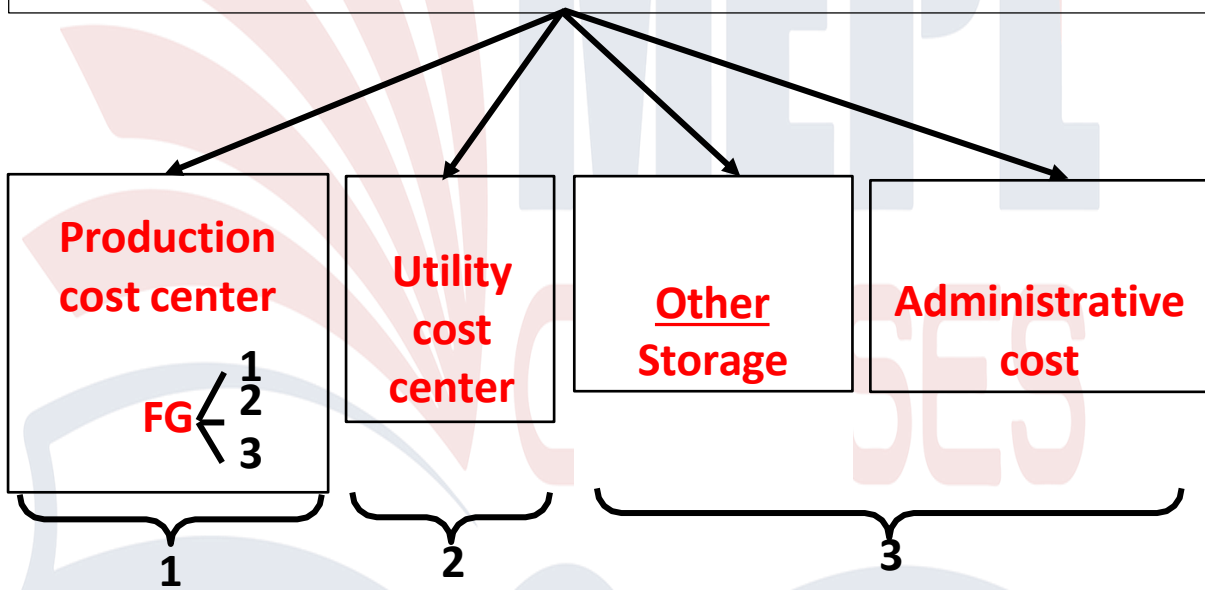
f) Fifo / Weighted Average → consistently

g) Expense Chart



	h) Local / imported Raw Material separately
2)	<p><u>Raw Material:</u>            RM → Storage → Storage Rent</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Cost of Material</p>
3)	<p><u>Key Inventory</u></p> <ul style="list-style-type: none"> <li>✓ Stock position</li> <li>✓ Consumption vis a vis stock</li> <li>✓ Extra stock</li> </ul>

(I) All Expenses / Cost should be divided cost center wise



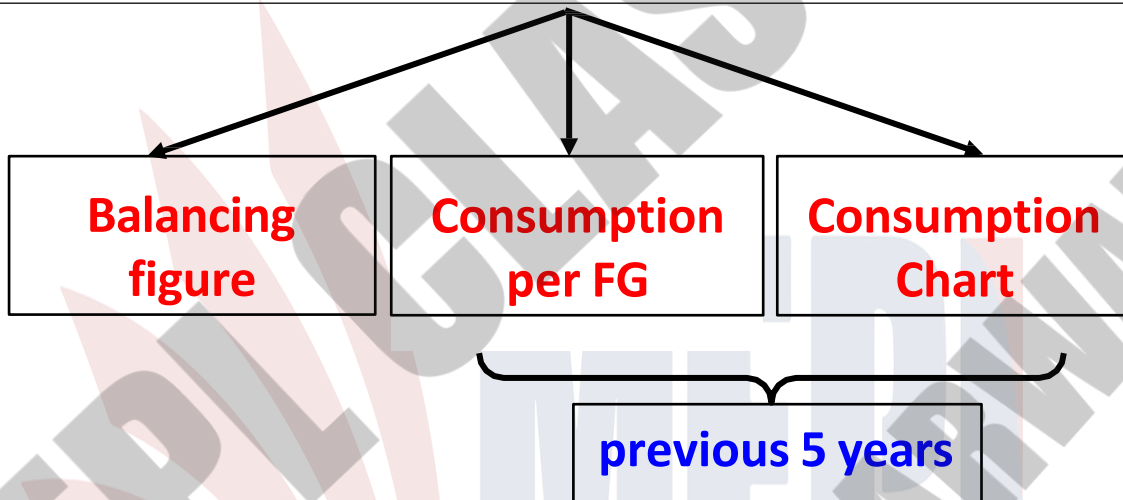
This should be done while preparing comparison chart

(II) Expense chart of expenses / MT of FG of previous 5 years



**(III) Expense chart of expense / Rs of the company for previous 5 years**

**(IV) In case of RM / Utility etc → Extra chart need to prepared**



### **Overall checklist**

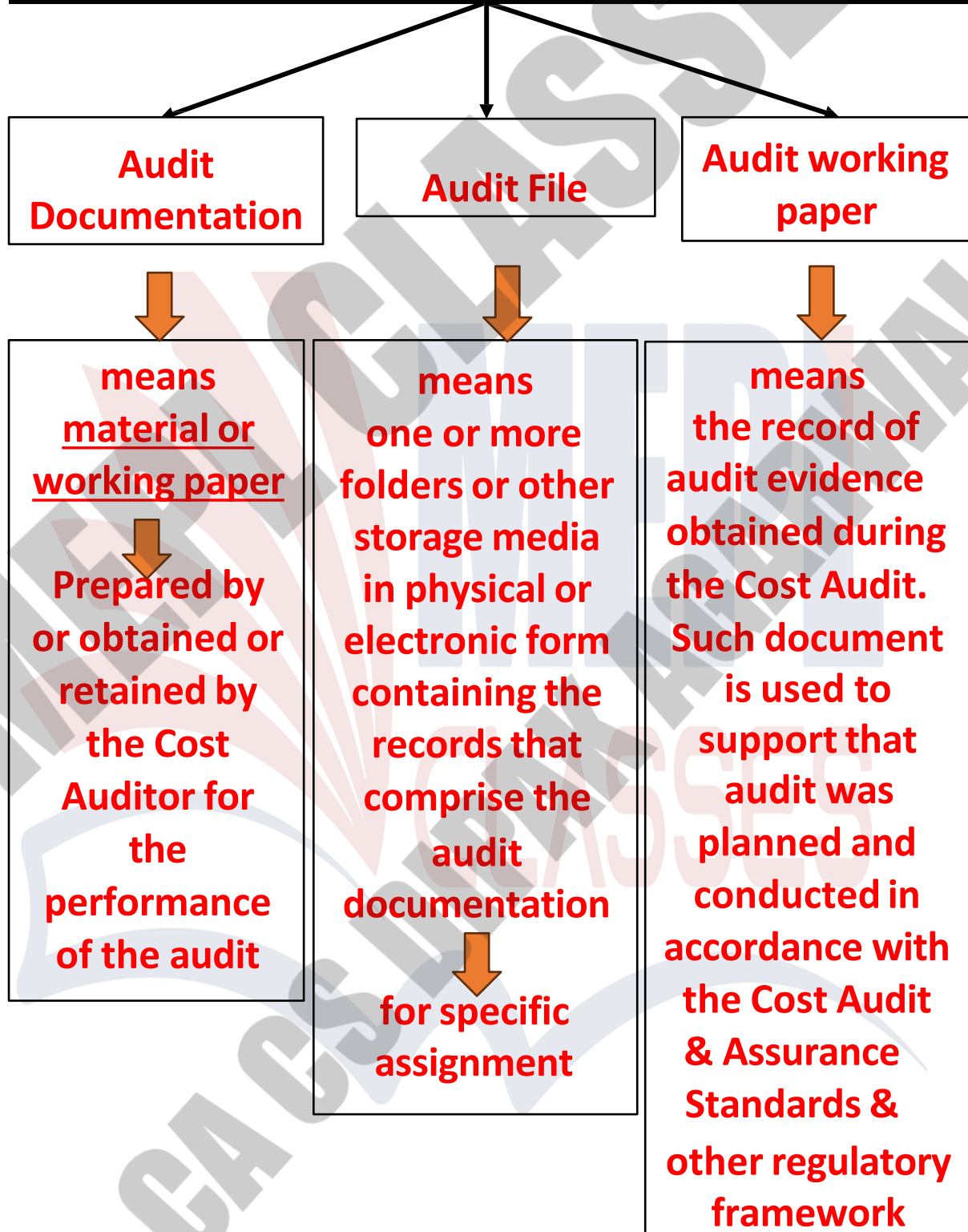
- 1) Familiarisation with the Company**
- 2) Company Records**
- 3) Familiarisation with the organisation of Company**
- 4) Management profile**
- 5) Company policy**
- 6) Sales policy**
- 7) Production planning & control**
- 8) Accounting system**
- 9) MIS**
- 10) Internal control**
- 11) Cost record statements report**



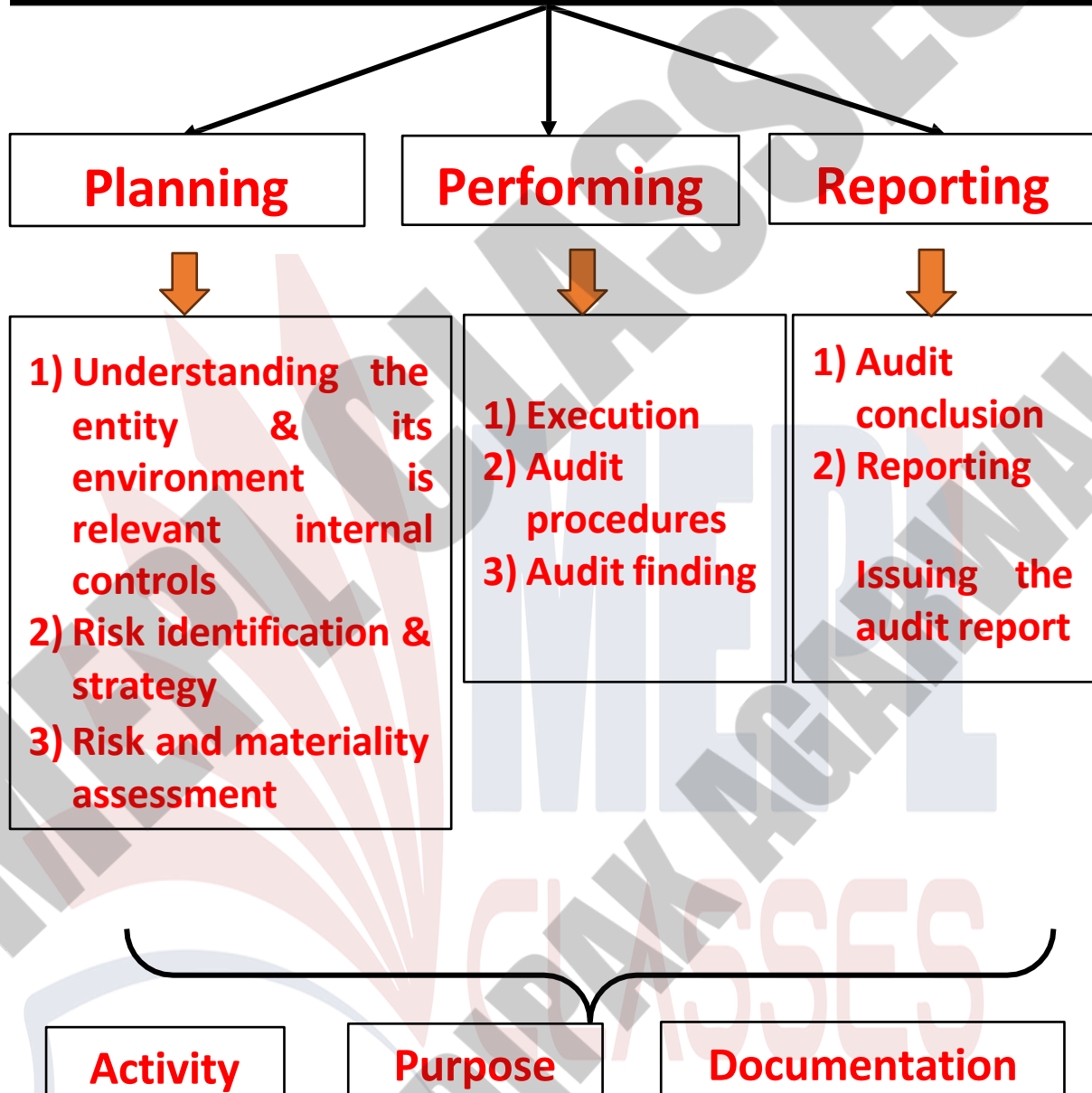
## Checklist of various cost elements for Audit Programme

- 1) Production – Product wise
- 2) Raw Material Cost
- 3) Key inventory cost
- 4) Electricity cost
- 5) DM water (Demineralised water)
- 6) DG set
- 7) Steam cost
- 8) Stores & Spares cost
- 9) Repair & Maintenance cost
- 10) Employee cost
- 11) Insurance cost
- 12) Depreciation cost
- 13) Administrative O/H cost
- 14) Selling & Distribution O/H cost
- 15) Packing Material cost
- 16) Sales value

## CHAPTER – 7 Audit Documentation & Audit Process & Execution



## 3 stages of Cost Audit



For the chart of Activity / Purpose and Documentation at various stages please refer chart in page 368

<b>Planning</b>	<b><u>Activity 1</u></b> <b>Preliminary Engagement Activity</b>
	<b><u>Activity 2</u></b> <b>Planning the audit of Cost Statement</b>
	<b><u>Activity 3</u></b> <b>Perform the audit procedures</b>
<b>Performing</b>	<b><u>Activity 1</u></b> <b>Design overall response &amp; further audit procedures</b>
	<b><u>Activity 2</u></b> <b>Implement responses to the assessed risk of material misstatement</b>
<b>Reporting</b>	<b><u>Activity 1</u></b> <b>Evaluate the audit evidences obtained</b>
	<b><u>Activity 2</u></b> <b>If additional work required</b> <b><u>Yes</u> – Again start with planning &amp; performing phase</b> <b><u>No</u> – Move to Activity 3</b>
	<b><u>Activity 3</u></b> <b>Prepare the Cost Audit Report</b>

## PRACTICAL STEPS OF AUDIT PROCESS

<b>STEP-1:</b>	<p><b>Objective of Audit &amp; Management Outlook</b></p> <p><u>Auditor should understand from management of the entity whether management is looking for a cost audit just to satisfy the statutory requirement or also to fulfil other objective like: -</u></p> <ul style="list-style-type: none"><li>✓ <b>Cost reduction</b></li><li>✓ <b>Checking the parameter of Operational efficiency</b></li><li>✓ <b>Suggesting product diversification or Product mix</b></li><li>✓ <b>Identifying Profit making or loss-making products</b></li><li>✓ <b>Suggesting or improving marketing strategies / decision</b></li><li>✓ <b>Complete revival of Business strategies</b></li></ul>
<b>STEP-2:</b>	<p><b><u>Preconditions</u></b></p> <p><b>(1) Cost Auditor should understand the following</b></p> <ul style="list-style-type: none"><li><b>(i) Objective of Cost Audit</b></li><li><b>(ii) Area, nature &amp; scope of Cost Audit</b></li><li><b>(iii) No. of cost auditor to be appointed</b></li><li><b>(iv) Applicable reporting framework</b></li><li><b>(v) Reporting period</b></li><li><b>(vi) Statutory deadlines</b></li></ul>



	<p><b>(2) Cost Auditor should ensure that management understand its responsibilities: -</b></p> <ul style="list-style-type: none"><li><b>(i) To maintain Cost records</b></li><li><b>(ii) To present cost statement</b></li><li><b>(iii) To give unrestricted access to the books &amp; employees</b></li><li><b>(iv) To give additional information if required by Cost Auditor</b></li><li><b>(v) To give necessary representation</b></li><li><b>(vi) To select &amp; apply the relevant Cost Accounting Principles</b></li></ul> <p><b>(3) Auditee &amp; the Cost Auditor should agree on Audit Fees &amp; Payment Schedule and sign the audit Engagement Letter.</b></p>
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<b>STEP-3:</b>	<p><b>Understanding the Company's Business (key input to make audit plan)</b></p> <p><u><b>Cost Auditor before making the audit plan should understand the following relating to companies business</b></u></p> <ul style="list-style-type: none"><li><b>✓ Nature of company's activity, ownership &amp; management structure</b></li><li><b>✓ Nature of industry in which it operates</b></li><li><b>✓ Applicable reporting framework</b></li><li><b>✓ Companies Production process</b></li></ul>
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- ✓ Details of subsidiaries, associates & Joint ventures
- ✓ Purchase & Sales policy
- ✓ Inventory policy
- ✓ Internal control system
- ✓ Internal audit system
- ✓ Previous year audit report

**STEP-4: Planning the Audit**

**Audit plan should include the following: -**

- ✓ Timing (Dates) & Duration (No. of day) of Audit
- ✓ Level & no. of personnel required
- ✓ Determining the audit engagement partner
- ✓ Deciding materiality levels
- ✓ Drawing an overall audit strategy & audit plan
- ✓ Formulating risk assessment procedures
- ✓ Formulating audit procedures
  - Test of Control
  - Test of Details
  - Analytical procedures
  - Assertions
  - Management representation



**STEP-5:**

**Executing the Audit**

- ✓ Performing the audit procedures as planned
- ✓ Collecting the audit Evidences & Checking
  - relevance & reliability
  - sufficient &
  - source of such evidences
- ✓ Preparing draft audit observation & discussions with management
- ✓ Preparing the final report

**STEP-6:**

**Audit Documentation**

- ✓ Documenting audit plan & strategy
- ✓ Documenting working paper
- ✓ Documenting audit evidences
- ✓ Documenting draft audit observation
- ✓ Documenting final audit report

# Chapter – 8: Audit Report

Audit Report	
Cost Audit	Financial Audit
<p>(1) audit of efficiency of minute details of expenditure</p> <p>↓</p> <p>while the work is in progress</p>	<p>Post mortem analysis of Financial of the Company</p> <p>↓</p> <p>“Fait accompli”</p>
<p>(2) verification of cost record (cost statement, cost center etc) of the company to examine whether the cost record are prepared as per the relevant Cost Accounting Standard &amp; GACAP</p>	
<p>(3) Error / fraud in the underlying costing records</p>	
<p>(4) Cost Records are maintained in CRA-1</p> <p>↓</p> <p>32 items (CAS)</p>	



**(5) Refer Ch. 2 notes for annexure of CRA-3**




**Part A to Part D**

## **Objective of Cost Audit**

- (1) Accuracy of Cost Records**
- (2) Cost Accounting Principles have been followed**
- (3) Cost Accounting Procedures has been followed**
- (4) Detection of error / fraud**
- (5) Proper Accounting of Expenditure**
- (6) Decision making**
- (7) Deficiencies or inefficiencies in accounting or utilization of RM, Labour & Expenses / Utility**
- (8) Reduce volume of Audit work for external auditor**
- (9) Morality check of staff**

## **Critical Elements to be included in the Cost Audit Report**

- (1) Idle time of Machine/Labour**  
  
**RM Shortage**
- (2) Excess quantity of Unutilized RM**
- (3) Adequacy of the cost record**
- (4) Policy framed by the management is followed or not**



**(5) Comparative analysis of profitability, operating efficiency & production**



**statistical analysis (past data comparison)**

**(6) Discussion on rise of Cost of Production**

**(7) Wastage in production & its avoidance**

**(8) True & Fair view of Cost of Production**

**Cost Audit report is to be filled by the company in Form CRA-4 within 30 days of the Receipt of the cost audit report in XBRL format given in the XBRL Rules, 2015 in MCA portal → [mca.gov.in](http://mca.gov.in)**

**XBRL → annexure**

**XBRL → Extensible Business Reporting Language**

**XBRL is a standard for digital business reporting → managed by the international**

**XBRL international**

**so that we can use it for the purpose of reporting of financial / business information in digital format which can be accessed globally.**



## Tagging Feature of XBRL

### (1) Unique tags in XBRL → Benefits

- Consumption & analysis of information in report
- Checking of accuracy of data on the basis of predefined rules & definition
- Usefulness of data worldwide i.e., Different style, currency & language
- Reliability on the usefulness of the information contained in the report as we are using a standard format

### (2) Business Information

- Preparation
- Validation
- Publication
- Exchange
- Consumption
- Analysis

usefulness of Data  
Tags & Definition i.e.,  
Costing Taxonomy

### (3) XBRL uses for reporting

- Reporting for internal & external purpose



Financial / costing information

- Reporting to all type of regulator



Tax, RBI, Government authority



- **Filing of any loan application or Risk assessment (Credit Rating)**
- **Exchange of information between Government Department & Banks**

### **Benefits of XBRL**

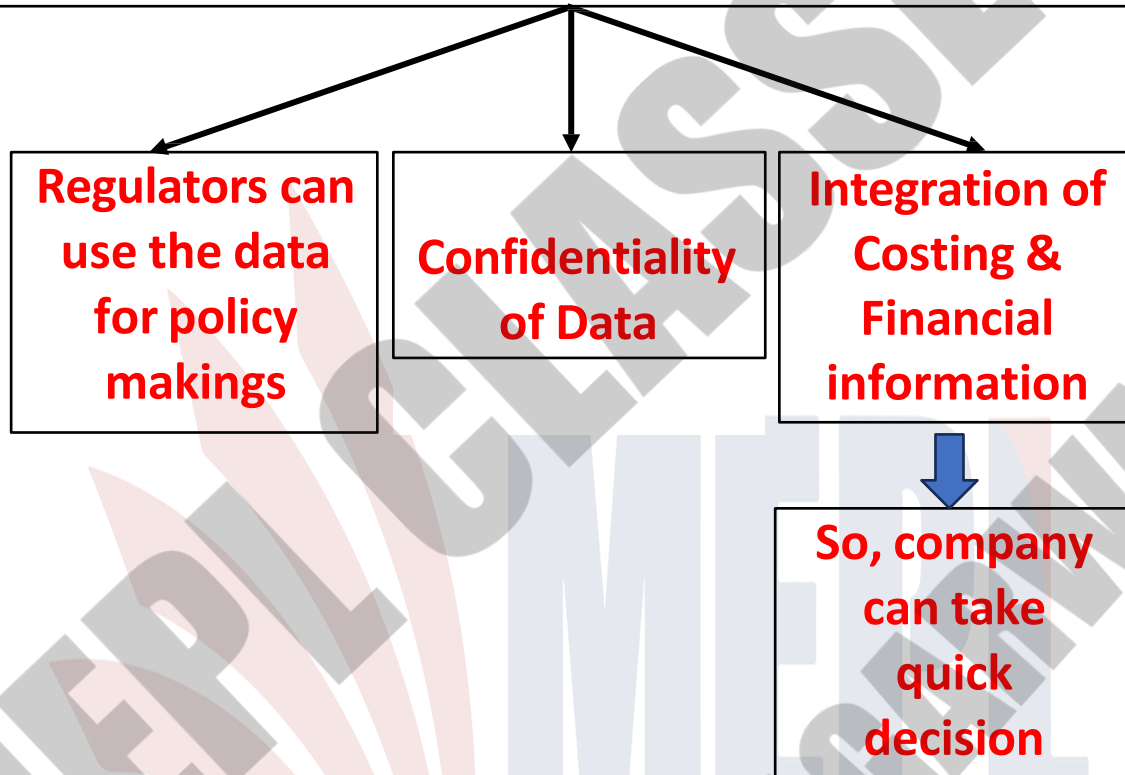
- (1) Data Collection & Distribution**
- (2) Cost & Efficiency improvement**
- (3) XBRL uses standard format so can be adopted anywhere easily**
- (4) Helps in preparation, transmission of data among stakeholders / departments etc.**

### **Future of XBRL**

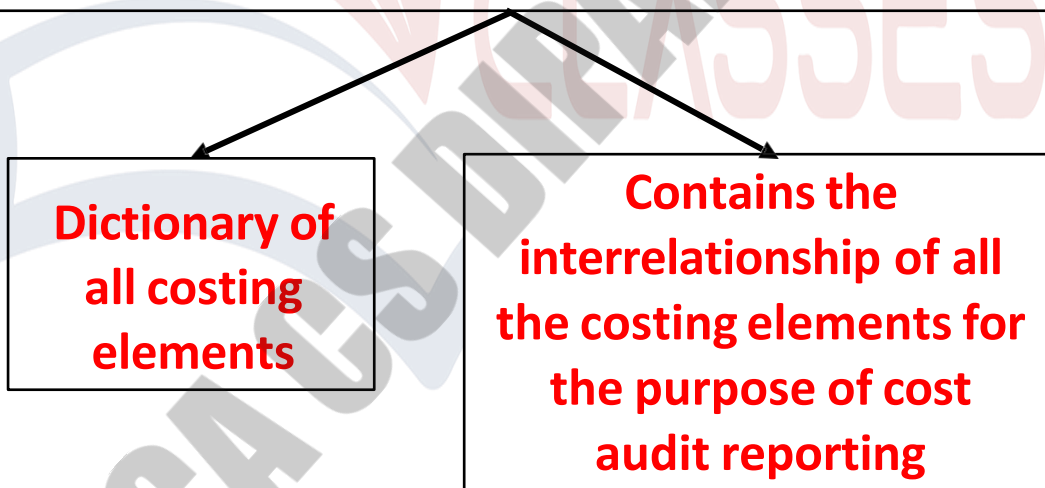
- (1) Beyond regulatory reporting & compliances**
- (2) Helps in data analytics for decision making**
- (3) Internal reporting**
- (4) Vide variety of reports for future growth**
- (5) Acceptance around the world**



## Benefits of Costing Data: XBRL



## Costing Taxonomy





## Cost Audit Report

Reasonable assurance that there is no fraud / error



True & Fair view

~~Reasonable assurance~~

Qualified

Adverse

There is material misstatement but such material misstatement is not having pervasive effect on the costing records of the

If there is a misstatement and it is having a pervasive effect on the costing records or the auditor is unable to follow its objective

### Conversion of Costing Record in to XBRL

- ✓ XBRL enabled software
- ✓ Mapping of costing data with XBRL Tags using the software
- ✓ Integration of XBRL into the existing software such as ERP / Tally



XBRL report (XBRL software with Tally linking)



✓ **Web based application**



Using them to covert data in excel or other format to XBRL

**Process to be followed to report in XBRL format**

- (1) Mapping of individual cost element with the costing taxonomy
- (2) Populating data in the software / tools
- (3) Creating instance document
- (4) Validating the instance document in the MCA portal
- (5) Checking the correctness of Data with the help of XBRL tools
- (6) Attaching the instance document with the eform (CRA-4) &
- (7) Filing at MCA portal

**STEPS for Filing Cost Audit Report in XBRL Format in MCA portal**

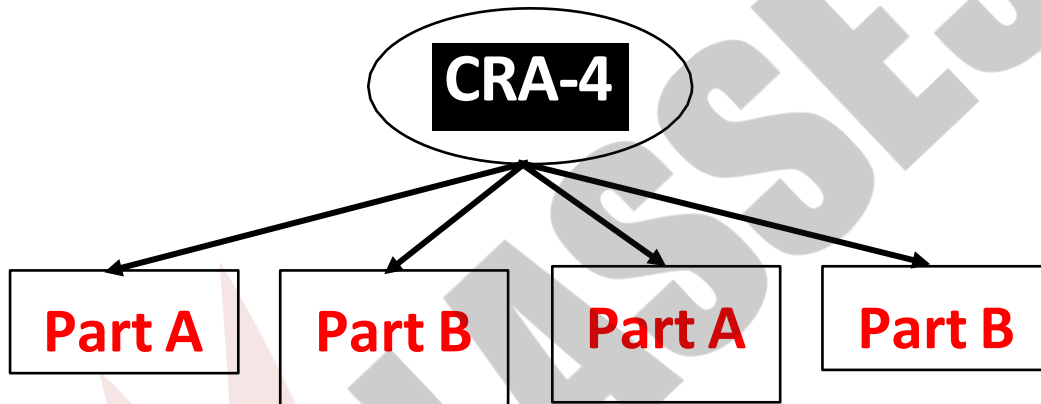
- (1) **Creation of XBRL instance document**
  - ⦿ Costing data XBRL software
  - ⦿ Instance document creation using XBRL package
- (2) **Download XBRL validation Tool**



**MCA portal****(3) Load the instance Document****XBRL viewer / software****(4) Validate XBRL instance Document****whether costing taxonomy has been properly mapped with costing data****(5) Pre-Scrutiny of XBRL instance Document****(6) Convert into PDF & verify the content of instance Document****(7) Attaching of instance Document to CRA-4****(8) Submit the CRA-4 in the portal**

**CRA-4 is to be filled along with the reservation / explanation & attachment in XBRL format**

**CRA-4 is an eform which needs to be uploaded in the MCA portal along with the attachment (i.e., instance document) in XBRL Format. i.e., The whole CRA-4 is not in XBRL but only the instance document which is a part of CRA-4 in XBRL format. But without the instance document (in XBRL) the CRA-4 cannot be uploaded in MCA portal**



## **XBRL error filling**

### **(1) Common Errors**

- ✓ **Mandatory field**
- ✓ **Date**
- ✓ **Internet**
- ✓ **PDF not generated**
- ✓ **Numeric field**
- ✓ **Yes / No error**

### **(2) Interpretation Errors**

- ✓ **Costing Taxonomy not mapped properly as per XBRL rules**
- ✓ **Tagging of data not done as per the XBRL format**
- ✓ **Uses of incorrect terms**

**Some of the interpretation errors are mentioned below:**

- **Table (Hypercube): - Relation between row & column**



- **Axis (Dimensional):** - Relation between one table with another
- **Explicit – member:** - Error in costing element defined in taxonomy
- **Typed member:** - Input of data by the user in the document