

Government introduces new new cost audit rules for business entities

The Corporate Affairs Ministry has introduced new cost audit rules that include a new minimum threshold limit for cost auditing for certain class of entities and also add several new businesses to the list. The new rules have also made it mandatory for companies having annual turnover of Rs 35 crore and above to maintain cost records and include it in their books of account.

For the purpose of auditing of cost records, the ministry has broadly classified entities into regulated and unregulated sectors. In regulated category, companies with overall annual turnover of Rs 50 crore or more and the aggregate turnover of the individual products or services of Rs 25 crore have to get their cost records audited. Regulated sector includes class of companies such as telecommunication services, power generation, transmission, distribution and supply, petroleum products, drugs and pharmaceuticals, fertilisers, sugar and industrial alcohol.

In the case of non-regulated category, the ministry has named a total of 33 categories of entities.

As per the amended rules, entities falling under the unregulated category and having minimum annual turnover of Rs 100 crore would need to carry out cost audits. Businesses such as tea coffee, tea, plastics and polymers, glass, electrical, textiles and milk powder businesses have been brought under the ambit of cost auditing (under non-regularised category) if they meet the minimum threshold criteria of annual turnover.

Cost auditors had also pushed for including automobiles, packaged food as well as plantation products under the cost audit ambit but the government hasn't done so in the new rules.

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