Paper – 19: Cost and Management Audit

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Full Marks : 100 **Time allowed: 3 hours**

Answer Question No. 1 which is compulsory and carries 20 marks and any five from Question No. 2 to 8.

I. Answer the following:

1. (a)Fill in the blanks: [5×1=5]

(i) Cost Audit was introduced in the year ____________.
(ii) Finance costs incurred in connection with the acquisition of materials __________ form part of material cost.
(iii) Central Excise Revenue Audit is conducted by the organisation of __________.
(iv) Responsibility centre is a _____ group of control centre.
(v) Cost Accounting Standard on Repairs and Maintenance Cost is dealt in ____________.

(b) State whether the following statements are true or false: [5×1=5]

(i) Cost Audit and Management Audit are one and the same.
(ii) As per CAS-6 the Forex Component of imported material is converted at the rate on date of payment
(iii) If the company has more than one factory producing the same product, in the year for which the cost audit is applicable, the same need not be shown in separate annexure for each factory in Cost Audit Report.
(iv) XBRL is a language based on XML family of languages
(v) Manager of an Investment Centre is required to earn a satisfactory return.

(c) Answer any five of the following in one or two sentences: [5×2=10]

(i) Whether Companies [Cost Records and Audit] Rules, 2014 is applicable to a sugar company which is generating electricity for captive use?
(ii) Can a Cost Accountant in employment be a Cost Auditor?
(iii) Explain the tenure of a Cost Auditor of the Company.
(iv) How the valuation is to be done for goods captively consumed in one's own factory
(v) Define Cost Audit as propriety audit.
(vi) Who is the approving authority to whom the cost audit report shall be submitted by the cost auditor of the company?

Answers:

1(a)

(i) 1965
(ii) shall not
(iii) Comptroller and Auditor General
(iv) personalized
(v) CAS 12

(b)

(i) False
(ii) False

(iii) False
(iv) True
(v) True

(c) (i) Rule 3(A)(2) of the Companies (Cost Records and Audit) Rules, 2014 dealing with generation, transmission, distribution of electricity has excluded captive generation as defined in Electricity Rules, 2005. It may noted that in case of company whose products / service are covered under the rules and it consumes electricity from the captive generating plant, determination of cost of generating, transmission, distribution and supply of electricity as per CRA – 1 would be mandatory since the cost of consumption of electricity has to be at cost. Hence maintenance of cost records for generation, transmission, distribution and supply of electricity would be applicable. However cost audit will not be applicable to such captive plants provided the entire generation is consumed captively and no portion sold outside.

(ii) The Cost Audit shall be conducted by a Cost Accountant in practice who shall be appointed by the Board. A cost Accountant, who is in employment, is not eligible for appointment as a Cost Auditor.

(iii) Every Cost Auditor appointed, shall continue his duty till the expiry of one hundred and eighty days from the closure of the financial year or till he submits the Cost Audit Report for the financial year for which he has been appointed.

(iv) Rule 8 of the Central Excise Valuation Rules provides that where the excisable goods are not sold but are used for consumption by the assessee or on his behalf in the production or manufacture of other articles; the value shall be 110% of the cost of production or manufacture of such goods. The procedure for determination of cost of production for captive consumption is laid down in CAS(4) [Cost Accounting Standards-4] issued by the Council of the Institute of Cost Accountants of India.

(v) The term 'propriety' has been defined by Kohler as "that which meets the tests of public interest, commonly accepted customs and standards of conduct and particularly as applied to professional performance, requirements of Government regulations, and professional codes." Thus propriety audit is verification of transactions in best interest of public, commonly accepted customs and standards of conduct. Thus propriety audit seeks to ensure that expenditure is not only appropriate to the circumstances, the objectives for which it was incurred are also achieved. Propriety audit is concerned with executive actions and plans bearing on the finances & expenditure of the company. The cost auditor has to judge:

(i) Whether the planned expenditure is designed to give optimum results.
(ii) Whether the size and channels of expenditure were designed to produce the best results, and
(iii) Whether the return from expenditure on capital as well as current operations could be bettered by some other alternative plan of action.

(vi) Every Cost Auditor shall forward his report to the Board of Directors of the company. The company shall furnish Central Government such report along with full information and explanation on every reservation or qualification contained therein.

II. Answer any five from Question No. 2 to 8. Each question carries 16 marks.

2. (a) AMRIT LTD. a Sugar and Industrial Alcohol manufacturing company incorporated in May 2015 is having turnover ₹75 crores from all its activities during F.Y.2015-16. Discuss about the applicability of Cost Audit to the company. [6]

(b) What are the qualifications and disqualifications of a Cost Auditor? [10]

Answers:

2(a) Rule 4 of the Companies (Cost Records and Audit) Rules,2014 states that cost audit would be applicable for products under:

i. Table A of Rule(3) if the overall turnover of the company is at least ₹50 crore during immediately preceding financial year and
ii. Table B of Rule(3) if the overall turnover of the company is ₹100 crore during immediately preceding Financial year.

Sugar and industrial alcohol (CETA 1701,1703,2207) fall in the Regulated Sector (Table -A) of Rule(3) and is required to maintain Cost Records and get the same audited by the Cost Auditor. Rule 3 states that a company engaged in the production of the goods or providing of services as prescribed having an overall turnover from all its products and services of rupees thirty five crore or more during the immediately preceding financial year, shall include cost records for such products or services in their books of account.

Since the threshold limit for applicability of maintenance of cost accounting records is met in year-0, the cost records are required to be maintained from Year-1. Once the maintenance of cost records becomes applicable, it would be maintained on a continuous basis in the subsequent year also. In the same line, cost audit will be applicable from Year-1 and for every year thereafter. The company has to maintain cost records for the year commencing from 01.04.2016.

2(b) As per section 141(3), qualifications and disqualifications of Auditors are-
The following persons shall not be eligible for appointment as an auditor of a company, namely:-

(a). A body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act,2008;
(b). An officer or employee of the company;
(c). A person who is a partner, or who is in the employment, of an officer or employee of the company;
(d). A person who, or his relative or partner-
   i. Is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company.
      Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;
   ii. Is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
   iii. Has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;

(e). A person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary holding company or associate company of such nature as may be prescribed;

(f). A person whose relative is a director or is in the employment of the company as a director or key managerial personnel;

(g). A person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;

(h). A person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;

(i). Any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment consulting and specialized services as provided in section 144.

Where a person appointed as an auditor of a company incurs any of the disqualifications mentioned in sub-section (3) after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.

3. (a) What are the objectives of Management Audit? [6]

(b) How do Cost Auditor evaluate MIS of an organization? [10]

Answers:

3(a) Objectives of Management Audit: Management audit is carried out to-

a. Appraise the management performance at all the levels.
b. Spotlight the decision or activities that are not in conformity with organizational objectives.
c. Ascertain that objectives are properly understood at al l levels;
d. Ascertain that controls provided at different levels are adequate and effective in accomplishing management objectives or plans of operations;
e. Evaluate plans which are projected to meet objectives,
f. Review the company's organizational structure, i.e. assignment of duties and responsibilities and delegation of authority.

The main objectives of management audit can be summarized as follows:-

(i) To ensure optimum utilization on all the resource employed, including money, materials, machines, men and methods;
(ii) To highlight efficiencies in objectives, policies, procedures and planning;
(iii) To suggest improvement in methods of operations;
(iv) To highlight weak links in organizational structure and in internal control systems and suggest necessary improvements.
(v) To help management by providing health indicators and help to prevent sickness or help to cure in case of sickness; and
(vi) To anticipate problems and suggest remedies to solve them in time.

3(b) The cost auditor has to consider various aspects while evaluating the effectiveness of a Management Information System. At first he should consider the following aspects while appraising the MIS –

(i) the content, quality and source of information.
(ii) flow of information from the originator to the receiver, and
(iii) correlation of information in the decisional areas.

Contents and sources of information : This may include the following :

(i) Whether the information collected is relevant to the decision problem or whether it will result in the improvement in the quality of decisions.
(ii) Whether there is any tendency of the manager to use control data for postmortem exercise
(iii) Whether the reporting of MIS is regular and uniform for financial and non-financial information.
(iv) Whether the information contain unwanted information.
(v) Whether the MIS adequately caters to the requirements of decision makers.

Flow of information : A cost auditor has to proceed on the following lines :

(i) System organisation : (a) system is centralized or decentralized, (b) flow of information from various units to the control section, (c) estimating the volume of data, transmission time and cost, (d) cost-benefit analysis of centralized (e). decentralized information.
(ii) Data collection and management : Appraisal should include the following aspects:

(a) methodology of collecting data, (b) whether the data is filtered and classified, (c) whether the data is properly matched with decision problems, (d) whether the management carried out detailed study regarding existing frequency, (e) whether system design is free or any possible constraints.

Correlation of MIS with the decision areas : Cost auditor should examine this aspect from the following angles:

(i) Whether input-output analysis is attempted.

(ii) Whether MIS is helpful in reducing the effects of uncertainty.

(iii) Whether MIS is cost-effective.

(iv) Whether the information is being supplied to the users very effectively.

(v) Whether MIS is providing a feedback for corrective action, and

(vi) Whether MIS is able to optimize the value of information?

4. (a) Following data is available for a company relating to the Cost of Production of a product subjected to Cost Audit.
Prepare the Export Profitability statement to be included in the Annexure to the Cost Audit Report. Production 10,000 units.

Particulars	₹
Sales (local) 9,000 units	**2,02,500**
Sales (Export) 1,000 units	**20,000**
Materials consumed 20 Tones @ ₹ 5 Kg.	**1,00,000**
Imported components @ ₹ 3/unit	**30,000**
Direct Labour	**10,000**
Factory Overhead	**15,000**
Administrative Overhead	**5,000**

Freight and Packing (local Sales)	**4,500**
Packing for Export	**2,000**
Handling at Port	**500**
Opening Work -in-progress	**10,000**
Closing Work in-progress	**5,000**

Additional information:

1) **Export incentives of 10% on FOB is receivables.**
2) **Draw Back-on-Duty paid on Raw Materials and components available on Export is ₹ 2,500.** **[8]**

(b) What are "Waste Multipliers" in textile costing? The following are the process wise wastages on the inputs in the 2015-16:

Process	**% Wastages on input**
Blow Room	**9.18**
Carding	**7.17**
Drawing	**1.10**
Roving (Simplex)	**0.30**
Ring Frame (Spinning)	**7.21**
Reeling and winding	**1.50**

From the above, calculate the process wise waste multiplier facts. **[8]**

Answers:

4(a) Taking into consideration the requirements like showing separately local and export sales, with details like quality, net realization, price per unit, packing charges etc, profitability statements have been prepared as follows:

Statement of Cost of Production

Production:10,000	Total Cost (₹)	Per unit cost (₹)
Direct materials (20,000 kgs.@ ₹ 5 per kg)	1,00,000	10.00
Imported components (10,000 units@ ₹ 3/unit)	30,000	3.00
Direct labour	10,000	1.00
Prime cost	1,40,000	14.00
Factory overhead	15,000	1.50
Opening WIP	10,000	1.00
	1,65,000	16.50
Less: Closing WIP	5,000	0.5
Work Cost	1,60,000	16.00
Administrative overheads	5,000	0.5
Cost of production	1,65,000	16.5

Statement of Cost and Profit on Export sales

Export Sales:1000 units	Total cost (₹)	Per unit cost (₹)
Cost of production	16,500	16.50
Export packing	2,000	2.00
Handling at Port	500	0.5
(A) Cost of Sales	19,000	19.00
Export sales realization	20,000	20.00
Export Incentive @10% of F.O.B	2,000	2.00
Duty draw back on components	2,500	2.50
(B) Total Realisation	24,500	24.50
Profit on export (B) – (A)	5,500	5.50

4(b) "Waste multiplier" is the quantity of output from any process, which will be needed to get one unit of final output. To arrive waste multiplier processing cost per kg of output is worked out. These costs are then aggregated to arrive at total yarn cost. This is done by using a factor known as Waste multiplier.

Process	% of wastage on input	Net output for 100 units of input		Waste multiplier
Total				1.3161
Blow room	9.18	100-9.18	90.82	1.1953
Carding	7.17	90.82-[7.17/100x90.82]=	84.31	1.1096
Drawing	1.10	84.31-[1.10/100x84.31]=	83.38	1.0974
Roving(Simplex)	0.30	83.38-[0.30/100x83.38]=	83.13	1.0941
Ring Frame(Spinning)	7.21	83.13-[7.21/100x83.13]=	77.14	1.0153
Reeling and winding	1.50	77.14-[1.50/100x77.14]=	75.98	1.0000

Calculation of Waste Multiplier-

Total	wm0=Actual input/Actual out put	100/75.98	1.3161
Blow room	wm1=WM0 X Net output/Actual Input	=1.3161X90.82/100	1.1953
Carding	wm2=Wm1 X Net output/Actual Input	=1.3161X84.31/100	1.1096
Drawing	wm3=WM2 X Net output/Actual Input	=1.3161X83.38/100	1.0974
Roving(Simplex)	wm4=WM3 X Net output /Actual Input	=1.3161X83.13/100	1.0941
Ring Frame(Spinning)	wm5=WM4 X Net output /Actual Input	=1.3161X77.14/100	1.0152

Reeling and winding	wm6=WM5 X Net output /Actual Input	=1.3161X75.98/100	1.0000

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

			(₹ in lakhs)
	31-3-2016	**31-3-2015**	**31-3-2014**
Gross sales inclusive of excise duty	**2040**	**1965**	**1875**
Excise duty	**295**	**280**	**265**
Raw materials consumed	**1140**	**1060**	**975**
Direct Wages	**35**	**32**	**27**
Power and fuel	**30**	**27**	**24**
Stores and spares	**6**	**5**	**4**
Depreciation charged to production cost centres	**16**	**15**	**13**
Factory overheads:			
Salaries and wages	**5**	**4**	**3**
Depreciation	**2**	**2**	**2**
Rates and taxes	**1**	**1**	**1**
Other overheads	**6**	**5**	**4**
Administrative overheads:			
Salaries and wages	**10**	**9**	**8**
Rates and taxes	**2**	**2**	**2**
Other Overheads	**162**	**154**	**148**
Selling and distribution overheads:			
Salaries and wages	**7**	**6**	**5**
Packing & forwarding	**6**	**6**	**5**
Depreciation	**1**	**1**	**1**
Other overheads	**124**	**118**	**108**
Interest	**85**	**74**	**68**
Bonus and gratuity	**12**	**10**	**9**
Gross current assets	**840**	**724**	**640**
Current liabilities and provisions	**324**	**305**	**246**

You are required to compute the following ratios as per Companies (Cost Records and Audit) Rules, 2014: - Note: The computation should be based on EBDIT as Operating Profit.

a) **Operating Profit as percentage of value addition;**
b) **Value addition as a percentage of Net Sales.** **[16]**

Answer:

			Year Ending (₹ in lakhs)
	31-3-16	31-3-15	31-3-14
Gross sales inclusive of excise duty	2,040	1,965	1,875
Excise duty	295	280	265
Net sales (A)	1,745	1,685	1,610
Cost of Sales excluding depreciation & Interest:			

Raw Material consumed	1,140	1,060	975
Direct Wages	35	32	27
Power and Fuel	30	27	24
Stores and Spares	6	5	4
Factory overheads (excluding depreciation)	12	10	8
Administrative overheads (excluding depreciation)	174	165	158
Selling and distribution overheads (excluding depreciation)	137	130	118
Bonus and Gratuity	12	10	9
Total (B)	1,546	1,439	1,323
Operating Profit (A) - (B) =	199	246	287

Value addition is defined as "the difference between the net output value (Net Sales) and cost of bought out materials and services for the product under reference".

			Year Ending (₹ in lakhs)
	31-3-16	31-3-15	31-3-14
(X) Net sales	1,745	1,685	1,610
Less : (i) Cost of Bought Out Materials & Service (Raw Materials and Stores & Spares)	1,146	1,065	979
(ii) Power & Fuel, other bought out services	30	27	24
(iii) Over heads (excluding Salaries & Wages, Rates & Taxes and Depreciation)	298	283	265
(Y) =(i)+(ii)+(iii)	1,474	1,375	1,268
Value Addition : (X) - (Y) =	271	310	342

			Year Ending (₹ in lakhs)
	31-3-16	31-3-15	31-3-14
Hence, (a) Operating profit as % of Value Added i.e.	199/271= 73.43%	246/310= 79.35%	287/342= 83.92%
(b) Value Addition as % of Net Sales i.e.	271/1745= 15.53%	310/1685= 18.40%	342/1610 21.24%

6. (a) Calculate the installed capacity, available capacity, normal capacity, actual capacity, idle capacity, abnormal idle capacity from the following data as per CAS-2

Manufacture's specifications capacity per hour	**600 units**
No. of shifts (each shift of 8 hours)	**3 shifts**
Holidays in a year (365 days):	
i) Sundays	**52 days**
ii) Other holidays	**10 days**

Annual maintenance is done with in 13 holidays.

Preventive weekly maintenance for the machine on Sunday
Normal idle Capacity for batch charge
Over, lunch, personal need etc = 1 hr. per shift
Production bases on sales expectancy in Past 5 years = 36.12, 32.28, 35.64, 29.28 and 36.24 lakhs units. Actual production during the year=36.12 lakh units. [10]

(b) Purchase of Materials ₹ 2,00,000 (inclusive of Trade Discount ₹ 3,000); Fee on Board ₹ 10,000; Import Duty paid ₹ 15,000; Freight Inward ₹ 20,000; Insurance paid for import by sea ₹ 12,000; Rebates allowed ₹ 4,000; Cash discount ₹ 3,000; Cenvat Credit refundable ₹ 7,000; Subsidy received from the Government for importation of these materials ₹ 18,000. Compute the landed cost of material (i.e. value of receipt of material). [6]

Answers:

6 (a) Installed capacity for machine:

=365 x No. of hours used / shift x no. of units x units manufactured/ hours
=365 days x 8 hrs x 3 shifts x 600 units = 52.56 lakh units

Practical capacity / Available capacity:
Installed capacity
Less: Time lost for maintenance, repairs, set-ups, power cuts
Less: Normal delays
Less: Holidays, Weekly off days x No. of shifts x units manufactured / hrs
= (365 days – 52 Sundays – 10 holidays) x [8 hrs – 1 (idle time)] x 3 shifts x 600 units
= 38,17,800 Units

Normal capacity is Average of 3 normal years
Normal capacity = (36.12 + 35.64 + 36.24) lakh units / 3 = 36.00 lakh units

Actual capacity utilization:
= output achieved / Installed capacity
$=\frac{36.12}{52.56} \times 100\ (lakh\ unit) = 68.72\%$

Idle capacity:
Installed capacity — Actual capacity
= (52.56 — 36.12) lakh units
= 16.44 lakh units

Abnormal Idle capacity:
Practical capacity
Less: Higher of [normal / actual]
= 38,17,800 — 36,12,000
= 2,05,800 units

6(b) Computation of Material Cost Sheet

	Particulars	Amount (₹)
	Purchase price of Material	2,00,000
Add:	Fee on Board	10,000
Add:	Import Duties of purchasing the material	15,000

Add:	Freight Inward during the procurement of material	20,000
Add:	Insurance paid	12,000
	Total	2,57,000
Less:	Trade Discount	3,000
Less:	Rebates	4,000
Less:	CENVAT Credit refundable	7,000
Less:	Subsidy received from the Government for importation of materials	18,000
	Value of Receipt of Material	2,25,000

7. (a)The profit as per Financial Accounts of Strong Cements Ltd. for the year 2015-16 was Rs1,54,28,642. The profit as per Cost Accounting Records for the same period was less. The following details are collected from the Financial Accounting Schedule and Cost accounting records.

	Financial Accounts ₹	**Cost Accounts ₹**
Value of Stock:		
Opening: WIP	**25,62,315**	**22,65,710**
Finished goods	**2,65,47,520**	**2,92,18,950**
Closing: WIP	**42,75,640**	**37,36,346**
Finished goods	**3,72,59,430**	**4,35,25,149**
Interest income from inter-corporate deposits	**6,15,340**	**-**
Donations given	**4,85,560**	**-**
Loss on sale of Fixed Assets	**1,22,546**	**-**
Value of cement taken for own consumption	**3,82,960**	**3,65,425**
-- At EB Tariff	**-**	**49,56,325**
-- At Cost	**36,20,370**	**-**
Non-opening income	**45,36,770**	**-**
Voluntary retirement compensation	**16,76,540**	**-**
Insurance claim relating to previous year received during the year	**14,35,620**	**-**

You are required to prepare a Reconciliation Statement and arrive at the Profit as per Cost Records. [10]

(b) What are the main areas of Operation for Internal Audit of a company? [6]

Answers:

7(a) Computation in difference in Valuation of Stock

	Financial Accounts (₹)	Cost Accounts (₹)
Opening (WIP & FG)	2,91,09,835	3,14,84,660
Closing (WIP & FG	4,15,35,070	4,72,61,495
	1,24,25,235	1,57,76,835

Reconciliation of Financial Profit and Costing Profit:

	₹	₹
Profit as per Financial Accounts		1,54,28,642
Add: Difference in Stock Valuation	33,51,600	
Loss on Sale of Fixed Assets	1,22,546	
Donation not considered in Cost Records	4,85,560	
Voluntary retirement compensation not included in cost	16,76,540	56,36,246
		2,10,64,888
Less: Non - operating income	45,36,770	
Less: Interest income from intercorporate deposit	6,15,340	
Difference in value of cement taken for own consumption	17,535	
Difference in valuation of windmill power (₹ 49,56,325 – ₹ 36,20,370)	13,35,955	
	14,35,620	79,41,220
Insurance claim relating to previous year		1,31,23,668
Profit as per Financial Accounts		

7(b) Internal audit involves the following area of operations:

1. Reliability and integrity of financial and operating information: Internal auditor should review the reliability and integrity of operating and financial information and means used to identify, measure, classify and report such information.

2. Compliance with law, plans, procedures and regulations: Internal auditor should review the systems established to ensure compliance with those policies, plan and procedure, law, regulations which have a significant impact on operations and reports and should determine whether the organization is in compliance thereof.

3. Safeguarding of Assets: The internal auditor should verify the existence of assets and should review the means of safeguarding assets.

4. Economic and efficient use of resources: Internal auditor should ensure the economic and efficient use of resources.

5. Accomplishing of established objectives and goals and operation: Internal auditor should review operation of programmes to ascertain whether the results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned. The scope of internal audit at first phase is related to past business and not planning decision such as, whether to make or buy, whether to undertake a new project or export etc. These are managerial decisions and the scope of internal audit is not practical in initial stage unless it is management audit. The 2nd phase is the execution stage having its base in the subsequent recording in books of accounts. In this stage the scope of internal audit is necessary which need the correction of accounts and proper classification of heads. The final phase is the review of transactions where it is mainly the scope of internal audit.

8. (a) A Tyre and Tube manufacturing company is having turnover of ₹ 80 crores from all its activities. The company has filed its prospectus with SEBI for a public issue of equity shares and it hopes to complete the public offering by September 2014 end.

Whether cost audit will become applicable to the company? If yes, then from which financial year will cost audit become applicable? [6]

(b) What is meant by "Corporate Services Audit"? Describe the areas of the "Corporate Services Audit", the scrutiny thereof and evaluation criteria used in the Audit. [10]

Answers:

8(a) As per the newly enacted Companies (Cost Records and Audit) Rules, 2014, Cost Audit is applicable to the non-regulated sectors if overall annual turnover of the company from all its products and services during the immediately preceding financial year is ₹ 100 crore or more and the aggregate turnover of the individual product or products or service or services for which cost records are required to be maintained under Rule 3 is ₹ 35 crore or more.

In this case, the company is not satisfied the first criteria of Rule 4 i.e. overall annual turnover of the company from all its products and services during the immediately preceding financial year is ₹ 100 crore or more. Hence, the company is not required to get its cost records audited.

The company is in the process of listing on a stock exchange in India which will nowhere affect the applicability of the Companies (Cost Records and Audit) Rules, 2014. Hence, the company is not required to get its cost records audited.

8(b) With the enlarged role assumed by corporate organization in this country, the corporate bodies are expected to have better social responsibilities than in the past. The term "Corporate Services" refer to the activities that combine or consolidate certain enterprise- wide needed support services, provided based on specialized knowledge, best practices, and technology to serve internal (and sometimes external) customers and business partners viz. employees, shareholders, community, fellow businessman and Government. Management Auditor studies separately and properly, evaluate after critically examination of the different aspects of services and their extent that have been satisfactorily rendered by the corporate body and of evaluation of degrees of responsiveness and awareness on the part of such enterprise.

The areas of Corporate Service Audits are:

- Consumers - Quality goods in right qualities at right price, place and time.
- Employees - Pay, training, safety, welfare, industrial relations, etc.
- Shareholders - Safety of investment, satisfactory return, appreciation (in Value & Quantity & marketability)
- Community - Social Cost and Social benefit, public relations.
- Fellow businessmen - Business ethics and fair trade dealings.
- State/Government - Compliance with, the spirit of laws, fair trade practices, payment of taxes.

Auditor should consider the level of contribution a business entity makes to society and its business environment towards raising the quality of life through better product quality and services rather than profit maximization. So, it is an appraisal by the auditor as referred above and auditor's responsibilities lies in evaluating the company's response to social needs.