SUPPLEMENTARY FOR DECEMBER 2025 TERM OF EXAMINATION

PAPER - 17

COST & MANAGEMENT AUDIT

SYLLABUS 2022

CRA-2 (Form for Appointment of Cost Auditor)

2(d) Amalgamation

- **Definition**: Not defined in Companies Act, 2013, but generally means merging of one or more companies into another existing company or merging of two or more companies to form a new company
- **Key Concepts**:
    - Transferor company: Gets merged and ceases to exist.
    - Transferee company: The company that absorbs others or is newly formed.
- **Effective Date**: When certified NCLT order is filed with ROC.
- **Details Required in CRA-2**:
    - CIN & Name of amalgamating company.
    - SRN of original CRA-2 for cost auditor for the current FY.
- **Implications:**
    - It is imperative that Amalgamating Company appoints Cost Auditor for current financial year before effective date of Amalgamation.
    - Now CRA2 provides for SRN of original CRA2 (of amalgamating company) for appointment of cost auditor for the current financial year.
    - From the effective date, amalgamating company loses its identity / existence.
- **Conclusion:**
    - So, if amalgamating company has not appointed cost auditor for current financial year till effective date, then from effective date, there is no existence of amalgamating company to appoint cost auditor for current financial year. And so, it will not be possible to provide original CRA2 for current financial year.
    - So, this information is possible provided amalgamating company has appointed cost auditor for current financial year before effective date of amalgamation.

2(e) Demerger

- **Definition**: Not defined in Companies Act, 2013. Involves splitting a company into two or more undertakings.
- **Key Concepts**:
    - Demerged (original) company continues with reduced business.
    - Other portions are transferred to new/existing companies.

- **Effective Date**: Same—filing of NCLT order with ROC.
- **Details Required in CRA-2**:
  - CIN & Name of demerged company.
  - SRN of CRA-2 filed for cost auditor for the current FY.
- **Conclusion:**
  - In case of Demerger, transferor company shall keep it existence.
  - If Cost Auditor is appointed before effective date, then Demerged Company shall be with original size
  - If cost auditor is appointed after effective date, then demerged company shall be with reduced size

2(g)(iv) Casual Vacancy – Effective Date

- **Death**: Date of death.
- **Resignation**: Immediate effect (i.e. Date of Resignation Letter) or date stated in Resignation letter
- **Removal**: Date as per Board Resolution.

1(f)(E) / 2(h)(j) / 3(c)(i) – E-Filing due to Addition of Products/Services

- Here it implies that:

  Initially CRA-2 is filed and again CRA-2 is filed due to addition of new products / services
- Form CRA-2 is company-specific and not product-specific. (Refer to note 1)
- However, **this does not explicitly clarify whether CRA-2 needs to be refiled on addition of new products or services**.

4(m) – Consent & Certificate of Cost Auditor

- Now **explicitly required** in CRA-2:
  - Written consent of cost auditor.
  - Certificate under Rule 6(1A), Companies (Cost Records & Audit) Rules, 2014.
- Previously a good practice; now a compliance requirement.

CRA-4 (Form for Filing Cost Audit Report)

3(a) Extension of AGM

- Valid reasons for AGM extension:
    - Software/system issues.
    - Key personnel (like MD) abroad., etc.

6(b)(ii) Lead Auditor Disclosure

- CRA-4 now requires:
    - Whether the cost auditor is acting as **Lead Auditor** when there are multiple auditors.

7(d) Cost Auditor's Observations or Suggestions

- Cost audit spans from raw material input to finished goods dispatch.
- **Suggestion**: Reports should include observations/suggestions to provide value to management.

To be digitally signed by

Managing Director is added as signatory for Form CRA-4 but not added for Form CRA-2

Note 1:

Form CRA-2 is company specific and not product specific.

CRA-2 Form (intimation for appointment of cost auditor to Central Government) is required to be filed providing details of the sectors/industries covered under cost audit and details of cost auditor. For Companies appointing multiple cost auditors, only one single Form CRA-2 is required to be filed. Provision has been made in the Form to accommodate details of multiple cost auditors.

Note 2:

The cost auditor is to be appointed by the Board of Directors on the recommendation of the Audit Committee, where the company is required to have an Audit Committee. The cost auditor proposed to be appointed is required to give a letter of consent to the Board of Directors. The company shall inform the cost auditor concerned of his or its appointment as such and file a notice of such appointment with the Central Government within a period of thirty days of the Board meeting in which such appointment is made or within a period of one hundred and eighty days of the commencement of the financial year, whichever is earlier, through electronic mode, in form CRA-2, along with the fee as specified in Companies (Registration Offices and Fees) Rules, 2014.

Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal, shall be filled by the Board of Directors within thirty days of occurrence of such vacancy.