

COST ACCOUNTING RECORDS AND COST AUDIT - CLARIFICATIONS ABOUT COVERAGE OF CERTAIN SECTORS THEREUNDER

GENERAL CIRCULAR NO. 11/2012, DATED 25-5-2012

In partial modification of para (b) (iii) of the General Circular No. 67/2011, dated 30th November, 2011, it has been decided to extend exemption from mandatory cost audit to all units located in the specified Zones such as Special Economic Zones (SEZs), Export Processing Zones (EPZs) and Free Trade Zones (FTZs) and also to the 100% Export Oriented Units (EOUs), subject to the following:

- (a) Exemption from mandatory cost audit will be available only to those units of a company that are either located in the specified Zones or qualify as 100% EOUs and not to all other units of the same company.
- (b) There will be no exemption from maintenance of cost accounting records and filing of compliance report with the MCA in compliance with the applicable Cost Accounting Records Rules.
- (c) In case any regulatory body seeks cost data in respect of exempted units of any industry, then all relevant units of such industry would be subject to cost audit in accordance with the provisions of applicable Rules/Orders.
- (d) The DTA (domestic tariff area) sales in all such exempted units for each year shall not exceed the permissible limits as per the policy in force. In case their DTA sales for any year exceeds the permissible limits, then the exemption from cost audit available to the unit shall stand withdrawn and the unit would be subject to cost audit in accordance with the provisions of applicable Rules/Orders starting with the year in which exemption stood withdrawn and for every subsequent year thereafter.
- (e) If any such exempted unit either relocates outside the specified Zones or lose 100% EOU status, then the mandatory cost audit would become applicable from the year in which such change has taken place and for every subsequent year thereafter.

2. The Institute is requested to circulate this General Circular for the information of all concerned.