

Paper-17 - Cost Audit & Operational Audit

Time allowed-3hrs

Full Marks: 100

Working Notes should form part of the answer.

“Wherever necessary, suitable assumptions should be made and indicated in answer by the candidates.”

SECTION I (50 Marks)

(Cost Audit)

Answer Question No. 1 (carrying 14 marks) which is compulsory and answer any two (carrying 18 marks each) from the rest in this Section.

(1)(a) Choose the most correct answer among four alternative statements: [8×1=8]

(i) Joint costs are allocated:

- (a) Based on a measure of the number of units, weight, or volume of the joint products.
- (b) Based on the values attributed to the joint products.
- (c) (a) and (b).
- (d) None of the above.

(ii) CAS 6 deals with the following issues:

- (a) Principle of Valuation of receipt of materials.
- (b) Principle of Valuation of issue of materials.
- (c) Assignment of material cost to cost objects.
- (d) All of the above.

(iii) Para 6 of the Annexure to Cost Audit Report, 2011 deals with:

- (a) Product group details.
- (b) Quantitative information of each product group separately.
- (c) Operating ratio analysis for each product group separately.
- (d) Abridged cost statement for each product group separately.

(iv) Rectified Spirit is covered by

- (a) Cost Accounting Records (Chemical Industries) Rules, 2004
- (b) Cost Accounting Records (Formulations) Rules, 1988
- (c) Cost Accounting Records (Industrial Alcohol) Rules, 1997
- (d) Cost Accounting Records (Bulk Drugs) rules, 1974

(v) As per Rule 7 of the Companies (Cost Accounting Records) Rules, 2011, the Annexure to the Compliance Report is to be duly approved by the -

- a. Secretary
- b. Cost Accountant
- c. Board of Directors
- d. None of the above

(vi) As per ----- Outward Transportation Cost shall form part of cost of sales. (Fill in the gap from the below)

- a. CAS-5
- b. CAS-6
- c. CAS-9
- d. CAS-10

(vii) Form A XBRL is used for filing -

- a. Cost Audit Report of a Company
- b. Annual Report of a Company
- c. Compliance Report of a Company
- d. Annual Accounts of a Company

(viii) The main purpose of 'efficiency Audit' is to ensure that -

- a. Every rupee invested gives optimum returns
- b. Planned expenditure gives optimum returns
- c. Various policies of management are implemented
- d. Activities of business are beneficial to Society at large

(b) State whether the following statements are TRUE or FALSE with justification for your answer. No credit will be given for merely answering TRUE or FALSE — without giving any justification/reasoning: [6×1=6]

- (i)** Dumping is an 'illegal' practice.
- (ii)** Assurance engagements involve three separate parties.
- (iii)** Excise Audit 2000 was initiated from 1st April 2000.
- (iv)** "Firm of Cost accountants" should have at least two partners who are practicing Cost Accountants.
- (v)** GATT and its agreement are permanent.
- (vi)** "Organisation Development" (OD) is a "Sensitivity Training" intervention.

(2)(a) State the applicability and non-applicability of provision of Cost Accounting Record Rules, 2011. Whether this rules is also applicable to Foreign companies in India? (10 Marks)

(b) State the circumstances under which the companies are required to submit Compliance report instead of Cost Audit Report? (3 Marks)

(c) What are the steps involved in creation of XBRL instance documents for the Cost Audit Report and Compliance Report? (5 Marks)

(3)(a) Whether finance costs incurred in connection with the acquisition of materials shall form part of material cost? **[3]**

(b) How would you deal the following items in the cost accounts of a manufacturing concern?

- (i)** Research and Development Cost;
- (ii)** Packing Expenses;
- (iii)** Fringe Benefits;
- (iv)** Expenses on Removal and Re-erection of Machinery;
- (v)** Training Costs.

(3×5=15 Marks)

(4)(a) State the needs & elements of planning in a Cost Audit? **[6]**

(b) Discuss the essential features of a cost accounting system. **[6]**

(c) What are the objectives and functions of the Cost Audit and Assurance Standards? **[6]**

SECTION II (50 Marks)

(Operational Audit)

Answer Question No. 5 (carrying 14 marks) which is compulsory and answer any two (carrying 18 marks each) from the rest in this Section.

5. (a) Fill in the blanks in the following sentences by using appropriate word(s)/ phrase(s) : **[8×1=8]**

- (i)** The main emphasis of Management Audit is problem _____ rather than problem solving.
- (ii)** Pareto distribution is technique used in _____ control.
- (iii)** Section 292 A of the Companies Amendment Act, 2000 provides for constitution of _____.
- (iv)** SALVAGE is considered as _____ by insurer against what is owed under the policy for an insured loss.
- (v)** Operation audit is an audit for the _____.
- (vi)** Operational auditing concentrates on effectiveness, efficiency and economy of operations and therefore it is _____.
- (vii)** Operational audit is considered as a _____ tool to fill the void that conventional information sources _____ to fill.

(b) State whether the following statements are TRUE or FALSE with justification for your answer. No credit will be given for merely answering TRUE or FALSE — without giving any justification/reasoning : **[6×1=6]**

- (i)** Operational audit is a part of Internal Control.
- (ii)** The main function of the operational audit is to safeguard the assets of the enterprise.
- (iii)** Operational Audit's focus is on effectiveness of management decisions and actions.

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(iv) The efforts which are directed towards humanizing and harmonizing the jobs and their content are collectively known as "Job Enlargement".

(v) Consumerism is a movement protecting the interest of the consumers.

(vi) Principles of management audit remain valid irrespective of the nature of an enterprise.

(6)(a) What are the scope of internal control of a company. **(6 Marks)**

(b) What are the factors need to be considered while designing an internal control system?

(6 Marks)

(c) Explain the main area of operation of an internal audit of a company?

(6 Marks)

(7)(a) What are the documentations required for an internal audit as per Standard on Internal Audit-3? **(6 Marks)**

(b) Prepare the checklist of Purchasing Function.

(12 Marks)

(8)(a) Explain the Characteristics of a good performance appraisal report?

(10 Marks)

(b) What are the limitations in implementation of an effective internal control system of a company? **(8 Marks)**