

## Paper - 19 : Cost and Management Audit

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Full Marks: 100

Time allowed: 3 hours

Part - I

Answer Question 1 which is compulsory.

1. Choose the correct option among four alternative answers. (1 mark for correct choice, 1 mark for justification.) [10×2=20 marks]
- (i) Cost Auditing Standard 102 deals with\_\_\_\_\_.
- (a) knowledge of business, its Process and the Business Environment
  - (b) planning an Audit of Cost Statements
  - (c) Cost Audit Documentation
  - (d) overall objectives of the Independent Cost Auditor
- (ii) To Whom Management Audit report is submitted?
- (a) Audit Committee
  - (b) Cost Audit Branch
  - (c) Management of concern.
  - (d) Central Government
- (iii) In which form, the appointment of cost auditor is intimated to Central Government by the company?
- (a) CRA-1
  - (b) CRA-2
  - (c) CRA-3
  - (d) CRA-4
- (iv) The Cost Accounting Standard 7 deals with\_\_\_\_\_.
- (a) Material Cost
  - (b) Employee Cost
  - (c) Direct Expenses
  - (d) Administrative Overhead
- (v) What is the length of corporate Identity Number (CIN)?
- (a) 11
  - (b) 17
  - (c) 19
  - (d) 21

- (vi) \_\_\_\_\_ is the process of determining the elements which correspond to the lines and the columns in a financial statement and the elements which must be created by extension.
- (a) Name
  - (b) Concept
  - (c) Mapping
  - (d) Scaling
- (vii) \_\_\_\_\_ is an example of Solvency Ratio.
- (a) Debtors Turnover Ratio
  - (b) Debt Equity ratio
  - (c) Capital turnover Ratio
  - (d) None of above
- (viii) A management Auditor uses the techniques of position Analysis, to evaluate \_\_\_\_\_.
- (a) Net worth of a Corporate.
  - (b) Profit of a Corporate.
  - (c) Corporate image.
  - (d) Balance Sheet of a Corporate.
- (ix) CAS 18 deals with \_\_\_\_\_
- (a) Pollution Control Cost
  - (b) Research and Development Cost
  - (c) Joint Costs
  - (d) Royalty and Technical Know-How
- (x) Which one of the following items appearing only in Cost Records?
- (a) Notional interest on capital
  - (b) Rent receivable
  - (c) Dividends.
  - (d) Goodwill written off.

Part – II

Answer any five questions from question number 2 to 8. Each question carries 16 marks.

2. (a) As per section 143 of the companies Act, 2013, what is the duty of a Cost Auditor to report fraud?
- (b) Mention the steps to be followed by a Cost Auditor for Practical Audit Process. [8+8]
3. (a) Z has made an agreement with T of Japan for import of kits of Automatic Washing Machine in completely knocked down (CKD) condition. The terms of agreement are:
- (i) T will supply some items keeping 20% margin on cost. These imported items are of value of 40% of FOB price of Washing Machine and balance 60% will be locally manufactured.
  - (ii) Z will pay a lump sum of ₹300 lakhs for technical know how and drawing for manufacturing of 3 lakhs washing machines.
  - (iii) Z will also pay a royalty at 10% of selling price fixed by it in the local market less landed cost of imported kits and cost of locally procured components.
- The following related information is also available:
- (i) FOB price for washing machine is ₹8,000.
  - (ii) Insurance & freight is ₹300 per set of imported items
  - (iii) Effective custom duty is @ 40% on CIF price
  - (iv) Assembling & other overhead costs will be ₹1,000 per set.
  - (v) Expected profit is 20% on selling price
- You are required to calculate the selling price of Washing machine (rounded to ₹10)
- (b) How to value the cost of repair and maintenance as per CAS-12 under following circumstances:
- (i) In house R & M activity
  - (ii) R & M by contractor inside entity
  - (iii) R & M by contractor in its premises. [10+6]
4. (a) How Management Audit and Operational Audit are complementary and supplementary to one another?
- (b) Indicate the contents of Performance Analysis Report. (8+8)
5. (a) A manufacturing firm has up its own power plant to cater its need in manufacturing process. Its one month data is given below :
- Number of units produced = 100 lakh units of which 5% is used by generating unit.
- Material and utility used :
- (i) Coal 300 MT @ ₹ 30,000 per MT
  - (ii) Oil 5 MT @ ₹1,60,000 MT
  - (iii) Cost of Water extraction and treatment : 6 lakh litres @ ₹ 3 per litre
  - (iv) Steam boiler cost ₹55 lakh with residual value 5 lakhs after life of 10 years.
  - (v) Cost of Generating Plant is ₹ 90 lakhs with no residual value. Depreciation is charged on straight line method @ 10%

- (vi) Generating Plant : 100 skilled workers @ ₹ 30,000 & 150 helpers @ ₹ 20,000 pm.
- (vii) Boiler plant : 60 semi-skilled workers @ ₹ 25,000 & 100 helpers @ ₹ 20,000 pm.
- (viii) Repair & Maintenance of generating plant & Boiler is ₹ 5.0 lakhs
- (ix) Share of Administrative charges ₹ 20 lakh
- (x) Realization from Sale of ash disposed is ₹ 1.5 lakh

Prepare a cost sheet for Electricity Generating Cost and calculate cost per unit.

- (b) What are the responsibilities of Management with regard to Internal Control? [10+6]

6. (a) The following particulars pertaining to production of yarn are extracted from the records of Balarampur Textiles Ltd. for the year ended March 31, 2022:

Particulars	₹ in '000
Direct Material Cost per unit	2,560
Direct Wages & Salaries	1,540
Direct Expenses	450
Indirect Materials	533
Factory Overheads	897
Administrative Overheads (40% relating to producing activities)	1,250
Quality Control Cost	565
Research and Development Cost	600
Interest on Working Capital	350
Sale of Scrap Realised	460

You are to determine the cost of production for the purpose of captive consumption in terms of the Rule 30 of the Central Goods & Services Tax Rules 2017 and as per the CAS-4 (Revised) and the Assessable Value for the purpose of paying GST on applicable transactions.

- (b) Mention the preliminary information which are generally required by Cost Auditor from a company for the purpose of Cost Audit. [8+8]

7. (a) (i) How Value Chain activity can have an impact in performance analysis?

- (ii) What are the limitations of Internal Control System? [4+6]

- (b) Purchase of Materials ₹6,00,000 (inclusive of GST of ₹64,286); Fee on Board ₹24,000; Import Duty paid ₹30,000; Freight inward ₹40,000; Insurance paid for import by sea ₹20,000; Rebates allowed ₹8,000; Subsidy received from the Government for importation of these materials ₹40,000. Compute the landed cost of material (i.e. value of receipt of material). [6]

8. Answer any four. (4×4=16)

- (a) Write a short note on Code of Ethics in the field of Cost and Management Accounting.
- (b) Discuss the areas of the "Corporate Services Audit".
- (c) Write a short note on Key Performance Indicators (KPIs).
- (d) "The Cost Audit Reports can be termed as Propriety Audit"- Discuss.
- (e) Mention the steps involved in the preparation of the Performance Analysis.