

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) In which year Cost Audit was initially introduced in India?
- (a) 1949
 - (b) 1959
 - (c) 1965
 - (d) 1975
- (ii) In which form, the Cost Auditor appointed has to render the cost audit report to the Board of Directors of the Company, as per the specified time limit?
- (a) CRA – 1
 - (b) CRA- 2
 - (c) CRA – 3
 - (d) CRA – 4
- (iii) Cost Auditing Standard 104 deals with_____.
- (a) Cost Audit Documentation
 - (b) knowledge of business , its Process and the Business Environment
 - (c) planning an Audit of Cost Statements
 - (d) overall objectives of the Independent Cost Auditor
- (iv) The Cost Accounting Standard 9 deals with_____.
- (a) Packing material cost
 - (b) Capacity determination
 - (c) Classification of cost.
 - (d) Direct expenses
- (v) Within how many days of occurrence of any casual vacancy in the office of a cost auditor, whether due to resignation, death removal to be filled by the Board of Directors?
- (a) 30 days
 - (b) 60 days
 - (c) 120 days
 - (d) 180 days
- (vi) _____ is the next step, once the instance document is successfully validated from the tool.

- (a) attach instance document to the Form CRA-4
(b) convert to PDF and verify the contents of the instance document
(c) pre-scrutinize the validated instance document
(d) download XBRL validation tool
- (vii) Under which Act, the Bureau of Energy Efficiency was formed?
(a) The Companies Act, 2013
(b) The Income Tax Act, 1961
(c) The Energy Conservation Act, 2001
(d) None of the above
- (viii) The KPI, _____ is used to measure productivity & efficiency of a machine?
(a) Contribution per unit of material used.
(b) Machine downtime ratio
(c) % of Idle time to total available time
(d) Cost per of Break-Down Hour
- (ix) Royalty paid on units produced ₹50,000, Hire Charges of equipment used for production ₹5,000, Design charges ₹30,000, Software development charges related to production ₹25,000. The Direct Expenses is:
(a) ₹50,000
(b) ₹55,000
(c) ₹85,000
(d) ₹1,10,000
- (x) The Cost Accounting Standard 14 deals with _____.
(a) Pollution Control cost
(b) Research and Development cost
(c) Manufacturing cost
(d) Quality Control.

Part – II

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

2. (a) How Cost information helps the organization and management? 6
(b) (i) What do you mean by Audit File? 4
(ii) Mention the steps to be followed by a cost Auditors for Practical Audit Process. 6
3. (a) The Cost Accountant of T Ltd. has arrived at a Profit of Rs.20,10,500 based on Cost Accounting Records for the year ended March 31, 2022. Profit as per Financial Accounts is Rs.22,14,100. As a Cost Auditor, you find the following differences between the Financial Accounts and Cost Accounts:

	Particulars	₹ in lakhs
(1)	Profit on Sale of Fixed Assets	2,05,000
(2)	Loss on Sale of Investments	33,600
(3)	Voluntary Retirement Compensation included in Salary & Wages in F/A	50,25,000
(4)	Donation Paid	75,000
(5)	Insurance Claim relating to previous year received during the year	5,08,700
(6)	Profit from Retail trading activity	32,02,430
(7)	Interest Income from Inter-Corporate Deposits	6,15,000

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(8)	Decrease in value of Closing WIP and Finished goods inventory	
	as per Financial Accounts	3,82,06,430
	as per Cost Accounts	3,90,12,500

You are required to prepare a Reconciliation Statement between the two Accounts for the year ended March 31, 2022. (10)

- (b) What are the relevant factors that the cost auditor should consider while formulating overall audit strategy? (6)
4. (a) What is the principle of valuation of receipt of materials as per CAS-6? (6)
- (b) From the following figures extracted from the financial and cost accounting records, you are required to compute:
- (i) Value Added.
- (ii) Ratio of Operating Profit to Sales.
- (iii) Ratio of Operating Profit to Value Added.

<u>Particulars</u>	<u>Rs. in lakhs</u>
Net Sales	42,000
Increase in Stock of finished goods	500
Expenses:	
Raw Materials consumed	8,600
Packing materials consumed	2,560
Stores and spares consumed	1,120
Power and fuel	9,200
Insurance	240
Direct salaries and wages	960
Depreciation	1,770
Interest paid	2,796
Factory overhead:	
Salaries and wages	480
Others	500
Selling and distribution expenses:	
Salaries and wages	240
Administration overheads:	
Salaries and wages	240

5. (a) (i) Which standards are to be maintained for Govt. Expenditure Audit? (6+4)
- (ii) Discusses the role of C & AG in the Audit of a Govt. company.
- (b) Define Local Bodies. What is the basic objective of Local Body? (6)
6. (a) Opening stock of raw materials (5,000 units) ₹1,80,000; Purchase of Raw Materials (17,500 units) ₹7,00,000; Closing Stock of Raw Materials 3,500 units; Freight Inward ₹85,000; Self-manufactured

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packing material for purchased raw materials only ₹60,000 (including share of administrative overheads related to marketing sales ₹8,000); Demurrage charges levied by transporter for delay in collection ₹11,000; Normal Loss due to shrinkage 1% of materials; Abnormal Loss due to absorption of moisture before receipt of materials 100 units. Calculate the value of Closing Stock (as per Average Cost Method).

- (b) The management of a very big Public Sector Company suspects on the existence of —ghost workers—. You, as an Internal Auditor of the company are required to formulate a system of Internal Control for payment of wages and salaries. (8+8)

7. (a) There was a strike from 13.09.2021 to 16.11.2021 in a company of which you were the Cost Auditor for the year ending 31.03.2022. Although the company began working from 17.11.2021, production could effectively begin only from 5.12.2021. The expenses incurred during the year ended 31.03.2022 were:

Particulars	(Rs. in lakhs)
Salaries & Wages (direct)	450
Salaries & Wages (indirect)	300
Power (variable)	180
Depreciation	270
Other Fixed Expenses	360

Detailed examination of the records reveals that of the above, the following relate to the period 13.09.2021 to 16.11.2021:

Particulars	(Rs. in lakhs)
Salaries & Wages (indirect)	105
Depreciation	90
Other Fixed Expenses	135

Calculate the amount which in your opinion should be treated as abnormal for exclusion from the product costs.

- (b) Discuss Corporate Development Audit. (8 + 8)

8. Answer any four. (4×4=16)

- Write a short note on Audit Committee under The Companies Act 2013?
- Distinguish between Continuous Audit and Final Audit.
- “Management Audit team should be multidimensional.” — Discuss.
- What are the steps to be followed to file the Cost Audit Reports in XBRL Format?
- Write a short note on Risk of Material Misstatement.