

# FINAL EXAMINATION

December 2014

F-P17(COA)

**Syllabus 2008**

## Cost Audit & Operational Audit

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*Please: (1) Answer all bits of a question at one place.*

*(2) Open a new page for answer to a new question.*

*(3) Attempt the required number of questions only.*

*Working notes should form part of the answer.*

*Whenever necessary, suitable assumptions should be made and indicated in answer by the candidates.*

### SECTION A (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) State whether the following statements based on the quoted terms are "True" or "False" with justifications for your answer. No credit will be given for any answer without justification: 1×5=5
- (i) Cost accounting standard on Repairs & Maintenance cost is dealt in CAS-12.
  - (ii) Cost statements and other working papers as prescribed under cost accounting record rules duly audited and signed by the auditors remain with the company.
  - (iii) The performance appraisal report is a public document and it can not be treated as confidential.
  - (iv) Out-put Costing is best used in Chemical Industry.
  - (v) Manager of an investment centre is required to earn a satisfactory return.
- (b) In each of the case/statements given below, one out of four alternatives is correct. Indicate the correct answer (only indicate A or B or C or D) as you think correct. 1×5=5
- (i) Clarification of cost audit report to be given to Cost Audit Branch by Cost Auditor by
    - (A) 30 days
    - (B) 45 days
    - (C) 60 days
    - (D) 180 days
  - (ii) Excisable clearance means
    - (A) only sale of goods from factory.
    - (B) total clearance from the factory.
    - (C) despatch from bonded warehouse.
    - (D) None of the above
  - (iii) The main purpose of "Efficiency Audit" is to ensure that
    - (A) various policies of management are implemented.
    - (B) planned expenditure gives optimum returns.
    - (C) every rupee invested gives optimum returns.
    - (D) activities of business are beneficial to society at large.

**Please Turn Over**

- (iv) Cost Audit was introduced in the year  
 (A) 1956  
 (B) 1959  
 (C) 1965  
 (D) None of the above
- (v) Cost audit report along with annexure and proforma are signed by  
 (A) One Director and one Secretary  
 (B) The Chief Finance Officer and Managing Director  
 (C) The Chief Finance Officer and Secretary  
 (D) All of the above
- (c) Fill in the blanks in the following sentences by using appropriate word(s)/phrase(s)/number(s): 1×4=4
- (i) CERA (Central Excise Revenue Audit) is conducted by the organisation of \_\_\_\_\_.
- (ii) Every Cost Auditor shall submit the cost audit report along with observation in form \_\_\_\_\_ as per Companies (cost records and audit) Rules, 2014.
- (iii) The forex component on purchase of imported material shall be priced at a rate on \_\_\_\_\_.
- (iv) Where any credit under Central Value Added Tax (CENVAT) is available on any material, the cost of such material shall be after \_\_\_\_\_.

2. (a) The following is the Abridged Balance Sheet of UPS Ltd. for the years 2013-14 and 2012-13:

	(₹ in lakhs)	
	31.03.2014	31.03.2013
<i>Liabilities</i>		
Share Capital	480	480
Debenture redemption reserve	25	35
Capital subsidy	35	35
Revaluation reserve	140	145
General reserve	145	140
Balance in Profit and Loss Account	48	40
Secured Loan	345	310
Unsecured Loan	115	102
	1333	1287
<i>Assets</i>		
Gross block	780	797
Accumulated depreciation	(325)	(290)
Capital WIP	48	38
Investment	170	170

	(₹ in lakhs)	
	31.03.2014	31.03.2013
<i>Current Assets</i>		
Inventories	455	380
Sundry Debtors	185	195
Advance for Capital equipment	18	21
Other Loans and advances	160	138
Cash and Bank Balances	19	25
<i>Current Liabilities</i>		
Sundry Creditors		
for Capital Expenses	(19)	(21)
for others	(188)	(197)
Provision for Taxes	(62)	(71)
Miscellaneous Expenses	92	102
	1333	1287

Notes: (i) Fixed asset includes Goodwill and Patents ₹ 102 lakhs (Previous year ₹ 118 lakhs).

(ii) Term loans due for the payment within 12 months are ₹ 85 lakhs (Previous year ₹ 81 lakhs).

Calculate the following for the company:

- (i) Capital employed for both the years
  - (ii) Net worth as on 31.03.2013 and 31.03.2014
  - (iii) Debt equity ratio as on 31.03.2014 12
- (b) What disclosures are required to be made by a Company in respect of cost audit in its annual report? 2
- (c) What are the objectives for codification of cost accounts? 4
3. (a) Chandragupta & Sons Ltd. has received an enquiry for supply of 3,00,000 numbers of Special Type of Machine Parts. Capacity exists for manufacturing of the machine parts, but a fixed investment of ₹ 90,000 and working capital to the extent of 25% of Sales Value will be required to undertake the job.

The costs estimated as follows:

Raw Materials—30,000 kgs @ ₹ 3.50 per kg.

Labour Hours—10,000 of which 1,500 would be overtime hours payable at double the labour rate.

Labour Rate ₹ 3 per hour.

Factory Overhead—₹ 3 per direct labour hours.

Selling and Distribution Expenses—₹ 32,000.

Material recovered at the end of the operation will be ₹ 8,000 (estimated)

The Company expects a Net Return of 25% on Capital Employed.

You are Management Accountant of the Company. The Managing Director requests you to prepare a Cost and Price Statement indicating the price which should be quoted to the Customer. 9

