

**PAPER-17**

**COST AUDIT AND OPERATIONAL AUDIT**

**REVALIDATION TEST PAPER-RV/17/COA/2010**

(Answer Question **1** and **5** and any **TWO** each from the remaining questions of Section I & II)

**SECTION I**

1.State whether the following statements are True or False

- (i) Cost Audit is statutorily recognized form of audit in most of the country.
- (ii) Royalty is an item of Cost of Production under the Cost Accounting Record Rules.
- (iii) A nomination director is covered by the definition of 'Related Party'
- (iv) The Cost Auditor is appointed by the Board of Directors subject to the approval of the Central Government
- (v) Dividend can be declared out of Revaluation Reserve.
- (vi) Cost Auditor cannot be appointed as internal auditor of the same company.
- (vii) Presently cost audit report should be sent to the Department of Company Affairs after binding.

2(a) Define Cost Audit & State it purposes.

(b) What review should be made by a Cost Auditor of Cost Accounting Records?

© Define in not more than one/two sentences:

- (i) Non moving Stocks
- (ii) Capitalization
- (iii) Cost Pools
- (iv) Arm's Length Price

6+6+6

3 (a) Under what conditions, will the appointment of cost auditor for conducting Cost Audit be appointed in firm's name? Who will authenticate such reports and how? Can a proprietary firm also be appointed as a cost auditor? 10

(b) Can Cost Auditor of a company also be its internal auditor? Justify your answer. 5

(c) Can a Cost Accountant who is appointed as the concurrent auditor of a company accept appointment as cost auditor of the same company? 3

4. Write short notes(any three) 6\*3

- (a) Energy Audit;
- (b) Audit Committee;
- (c) Industrial Sickness;
- (d) Management Frauds.

## SECTION II

5. State whether the following statements are True or False

(i) Both Authority and responsibility cannot be delegated.

(ii) Dumping is an illegal practice

(iii) In ABC system the concept of Cost Centre is very important.

(iv) Management Audit Report is to be submitted to the Cost Audit Branch.

(v) The Secretariat of the WTO will be headed by a Secretary

(vi) Operational Audit is termed as micro level Management Audit.

(vii) The Audit Committee shall meet at least four a year as per SEBI Listing Agreements

6. (a) Clearly explain the meaning of the two words "Truth & Fairness" as are used in an Audit Certificate. 8

(b) What is Energy Audit & how is it linked to Environment Audit? 10

7(a) State the Salient Features of an ideal flow chart.

(b) Define Opportunity cost and Imputed cost as per CAS I

© Management Audit & Operational Audit are complementary and supplementary to each other.

6\*3

8 Write short notes on (any three):

- (a) Industrial Sickness
- (b) SWOT Analysis
- (c) Productivity Analysis
- (d) Energy conservation

6\*3