

FINAL EXAMINATION **SET - 1**
MODEL QUESTION PAPER **TERM – DECEMBER 2023**
PAPER – 17 **SYLLABUS 2022**
COST AND MANAGEMENT AUDIT

Time Allowed: 3 Hours

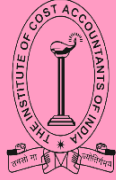
Full Marks: 100

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

SECTION – A (Compulsory)

1. Choose the correct option: **[15 x 2=30]**

- (i) The form in which cost records shall be maintained:
- CRA -1
 - CRA -2
 - CRA -3
 - CRA -4
- (ii) The Cost Auditing Standard which deals with Cost Audit Documentation:
- 101
 - 102
 - 103
 - 104
- (iii) The cost auditor of the company who is in default in compliance with section 148 shall be punishable in the manner as provided in:
- Section 139 of Companies Act, 2013
 - sub-sections (1) to (3) of section 148 of Companies Act, 2013
 - Section 143 of Companies Act, 2013
 - sub-sections (2) to (5) of section 147 of Companies Act, 2013
- (iv) The applicability of cost audit under Companies (Cost Records & Audit) – Rules, 2014 for regulated industries having overall annual turnover during immediate preceding financial year is:
- ₹ 25.00 crores
 - ₹ 35.00 crores
 - ₹ 50.00 crores or more
 - None of the above
- (v) A shoe manufacturing company has a plant capacity of producing 700 shoes per shift. During the year of 300 working days, 3 shifts of 8 hours with half-hour recess per shift, it produces 35.91 lakh shoes. The Normal Capacity Utilization percentage is:



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- a. 82%
- b. 76%
- c. 74%
- d. 78%

(vi) Remuneration of Non-Executive Director is treated as:

- a. Employee Costs
- b. Administrative Overhead
- c. Non-Cost item
- d. Selling and Distribution Overhead

(vii) Item appearing only in Cost Records is:

- a. Profit on Sale of Assets
- b. Interest Received
- c. Loss on Sale of Assets
- d. Notional Interest on Capital

(viii) CAS 21 deals with:

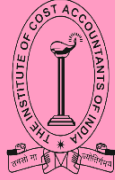
- a. Cost of Service Cost centre
- b. Quality control
- c. Capacity determination
- d. Cost Classification

(ix) Which one of the following KPI is used to measure productivity & efficiency of a machinery?

- a. % of Idle time to total available time
- b. Machine downtime ratio
- c. Production per man hour
- d. Contribution per unit of material used

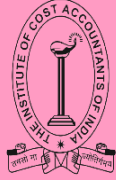
(x) Which of these reports is written before starting a new project?

- a. Feasibility report
- b. Periodic report
- c. Trouble report
- d. Progress report



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- (xi) Parallel runs are used:
- a. During regular operation of an information system.
 - b. When a system is initially implemented
 - c. Whenever errors are found in a computerized system
 - d. Whenever management insists
- (xii) Which of the following is not likely to be a fraud risk factor relating to management characteristics?
- a. Tax evasion
 - b. Failure to correct known weakness in internal control system
 - c. Adoption of conservative accounting principles
 - d. High management turnover
- (xiii) C&AG has right to direct how company's accounts shall be audited by the auditor and to give such auditor instructions in regard to any matter relating to the performance of his functions as per section:
- a. 143 of the Companies Act, 2013
 - b. 134 of the Companies Act, 2013
 - c. 173 of the Companies Act, 2013
 - d. 44AB of income Tax
- (xiv) As per the study of ACFE, the following category of individuals commit the highest frauds (in monetary terms):
- a. Low-level management
 - b. Mid-level management
 - c. Senior level management
 - d. All of the above
- (xv) "Payment System" as defined under the Prevention of Money Laundering Act, 2002 does include – (i) System enabling credit card operations, debit card operations (ii) smart card operations (iii) money transfer operations
- a. Only (i)
 - b. Only (iii)
 - c. Only (i) & (iii)
 - d. All the above



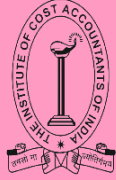
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SECTION – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks.)

2. (a) Discuss the objectives of Cost Audit. [7]
- (b) Classify the information which are required to be given in the Form CRA - 2 for intimation of appointment of Cost Auditor by the company to Central Government. [7]
3. (a) As per Section 141(3), read with Rule 10 of Company (Audit and Auditor) Rule 2014, explain the persons who shall not be eligible for appointment as an auditor of a company. [7]
- (b) Mention the steps are to be followed to file the reports in XBRL Format. [7]
4. (a) Purchase of Materials \$ 50,000 [Forward contract rate \$ = ₹64.40 but \$ = ₹64.60 on the date of importation]; Import Duty paid ₹5,65,000; Freight inward ₹1,62,000; Insurance paid for import by road ₹48,000; Cash discount ₹33,000; Payment made to the foreign vendor after a month, on that date the rate of exchange was \$= ₹65.20. Compute the landed cost of material. [7]
- (b) GLORY LTD., a manufacturing company provides the following extracts from its Cost Accounting Records for the year ended March 31, 2023:

The total capacity for 5 Machines per hour as per the company's specification.	2500 Units
No. of shifts (each shift of 8 hours) per day	3
Paid holidays in a year (365 days):	
(i) Weekly holidays	52
(ii) Other holidays	10
Annual maintenance is done within these holidays (i.e. 10)	
Preventive maintenance for the machines is carried on during weekly off day.	
Normal idle capacity due to lunchtime, shift changes etc. per shift	0.5 hour
Production based on sales expectancy in past 3 years (units in lakh):	154.50
	159.54
	166.66
Actual production for the year ended March 31, 2023:	158.80



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You are required to calculate:

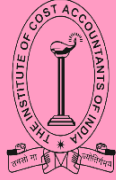
- (1) Installed Capacity
- (2) Practical Capacity
- (3) Actual Capacity (%)
- (4) Normal Capacity
- (5) Idle Capacity (%)
- (6) Abnormal Capacity — Keeping in view of the relevant Cost Accounting Standard (CAS-2). [7]

5. (a) In the Financial Accounts of Chemicals & Fertilizers Ltd. for the year ended March 31, 2023 the profit was ₹ 8,98,07,500. The profit as per Cost Accounting records for the same period was less. The following details are extracted from the accounting schedules and Cost Accounting records of the company.

	Financial Accounts ₹ '000	Cost Accounts ₹ '000
Opening : Semi Finished Goods	31700	35210
: Finished Goods	83220	78590
Closing : Semi Finished Goods	35260	39420
: Finished Goods	89320	80450
Urea & Transport subsidy	348	
Expenses on CSR	56	
Profit on sale of Fixed Assets	150	
Chemical used internally	382	365
Favourable Exch. Rate variation	294	
Post-retirement Medical grant	584	
Purchase Tax Refund	453	
Litigation Recovery-Prior year	125	

You are required to prepare a Reconciliation Statement and arrive at the Profit as per Cost Records for the year ended March 31, 2023. [7]

- (b) Discuss about the Investigation Methodology of Forensic Audit. [7]
6. (a) Describe the features of Environmental Audit. [7]
- (b) Discuss about the necessity of Management Audit. [7]



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7. (a) ABC Co. has planned for an investment of ₹ 800.00 lakh with a 50% Loan from Banks at 10% interest.
Direct Cost for the year ₹480.0 lakhs and 50% of which is Material cost. Other expenses are at ₹ 80.0 lakh. The goods will be sold at 150% of the direct cost. The tax rate is assumed at 50%.
Determine:
- (i) Net profit margin
 - (ii) Return on Assets
 - (iii) Assets turnover
 - (iv) Return on owners' equity
 - (v) Inventory Turnover [7]
- (b) Align the strategies for Manpower Planning. [7]
8. (a) Distinguish between Internal Audit and Operational Audit. [7]
- (b) Identify the points which are to be considered necessary for conducting audit of Hospital. [7]