

FINAL EXAMINATION **SET - 2**
MODEL QUESTION PAPER **TERM – DECEMBER 2024**
PAPER – 17 **SYLLABUS 2022**
COST AND MANAGEMENT AUDIT

Time Allowed: 3 Hours

Full Marks: 100

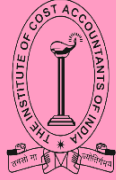
The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

1.(a) Choose the correct option:

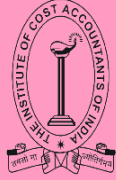
[15 x 2 = 30]

- (i) The cost auditor of the company who is in default in compliance with section 148 shall be punishable in the manner as provided in _____.
- A. Section 139 of Companies Act, 2013
B. Sub-sections (1) to (3) of section 148 of Companies Act, 2013
C. Section 143 of Companies Act, 2013
D. Sub-sections (2) to (5) of section 147 of Companies Act, 2013
- (ii) Cost Audit was first introduced for _____ industry.
- A. Cement
B. Iron & Steel
C. Jute
D. Sugar
- (iii) The form in which the cost records shall be maintained
- A. CRA-1
B. CRA-2
C. CRA-3
D. CRA-4
- (iv) Which one of the below is not a regulated industry?
- A. Telecommunication
B. Electricity
C. Drugs & Pharmaceuticals
D. Automobile
- (v) A person shall not be eligible to be appointed as Cost Auditor of the Company if he has been convicted of an offence involving fraud and a period of ___ years has not elapsed from the date of such conviction
- A. 1 year
B. 5 years



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- C. 7 years
D. 10 years
- (vi) Which of the following is not forming part of Cost of transportation?
A. Cost of transport
B. Transit insurance
C. Demurrage Charge
D. Local Octroi charges.
- (vii) CAS ____ pertains to Cost of Utilities
A. 1
B. 4
C. 8
D.14
- (viii) The work of one clerk is automatically checked by another clerk is called:
A. Internal control
B. Internal audit.
C. Internal check
D. None of the above.
- (ix) CAATTS is also known as _____ .
A. Cost and Accounts Treatments
B. Computer Assisted Audit Tools and Techniques
C. Classification and Accounting of Tax Tools
D. Computer Aided Audit Tools and Techniques
- (x) Offence of money laundering is defined in which section of PMLA Act, 2002?
A. Section 3
B. Section 2
C. Section 1
D. Section 11
- (b) DG Solutions Co has the following forecast figures for its first year of trading:
Sales ₹18,00,000
Purchases expense ₹15,00,000 Average receivables ₹1,53,000 Average inventory ₹2,47,500 Average payables ₹1,15,000 Average overdraft ₹2,50,000



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Gross profit margin 25%

Industry average data:

Inventory days 53

Receivables days 23

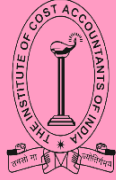
Payables days 47

Current ratio 1.43

Assume there are 365 days in the year

Choose the correct option based on above information:

- (i) The Cash operating cycle for DG Solutions Co is _____.
- A. 65 days
B. 59 days
C. 70 days
D. 88 days
- (ii) Current Ratio of DG Solutions Co is _____.
- A. 1.10 times
B. 1.25 times
C. 1.00 times
D. 1.30 times
- (iii) Quick Ratio of DG Solutions Co is _____.
- A. 0.56 times
B. 0.42 times
C. 0.60 times
D. 1.20 times
- (iv) Sales to Working Capital Ratio of DG Solutions Co is _____.
- A. 5.60 times
B. 6.30 times
C. 7.69 times
D. 5.75 times
- (v) From the above calculations and the given scenario, which one of the statement is most correct?
- A. The length of the cash operating cycle is longer than the industry average, which is likely to lead to liquidity problems



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- B. Liquidity position is favourable
- C. Liquidity position is better than the industry standard
- D. Resources are efficiently utilized

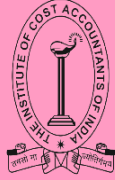
SECTION – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)
[5x14=70]

2. (a) What are the objectives of Cost Audit? Explain. [7]
- (b) Explain the treatment of Finance costs according to the guidelines provided [i.e. Companies (Cost Records and Audit) Rules, 2014] . [7]
3. (a) Discuss Duties of a Cost Auditor to Report fraud as per Section 143 of The Companies Act, 2013. [7]
- (b) Explain the Conversion of cost audit report into the XBRL format. [7]
4. (a) The following information pertains to ASHOKA CEMENT LTD., a manufacturing cement company for the year that ended as follows:

The year ended March 31	2023-24	2022-23
Rated Capacity per Hr. (in MT)	80	80
Break down (Hrs.)	2,177	1,015
Planned Maintenance (Hrs.)	247	422
Power restrictions (Hrs.)	1,237	1,481
Shortfall (there are no orders) (Hrs.)	792	677
Want of wagons (Hrs.)	495	635
Total stoppage (Hrs.)	4,948	4,230
Total running (Hrs.)	3,888	4,582
Total available Hours	8,836	8,812
Production during the year (in MT)	2,48,844	3,29,928
Hourly Rate of Production (in MT)	64	72
Capacity Utilization (%)	62.21	82.48
Annual Installed Capacity (in MT)	4,00,000	4,00,000

Based on information stated above, you as a Cost Auditor are required to offer your comments on:



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- (i) The performance of the company
(ii) Your suggestion for improvement. [7]

- (b) VIDESH ELECTRONICS LTD. is engaged in the manufacture of LED TV sets having its factories at Patna and Gujarat. The company manufactures picture tube at Patna which is consumed to produce LED TV sets at Gujarat factory. The following information pertaining to captively consumed picture tubes are extracted from the records of the company for the half year ended March 31, 2024.

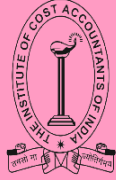
Particulars	₹'000
Direct material	950
Direct wages and salaries	357
Direct expenses	80
Indirect materials	70
Factory overheads	320
Administrative overheads (20% relating to production activities)	640
Quality control cost	100
Research and development cost	125
Selling and distribution expenses	225
Sale of scrap realized	130
Profit margin	15%

You are required to determine:

- (i) The cost of production for purpose of captive consumption in terms of Rule 30 of the Central Goods & Services Tax Rules 2017 and as per CAS-4 (Revised), and
(ii) Assessable Value for the purpose of paying GST on applicable transactions. [7]

- 5.(a) The Financial Profit and Loss of M/s. VGM Manufacturing company Ltd. for the year is ₹28,75,000. During the course of cost audit, it is noticed the followings:

- (i) Some Old assets sold off which fetched a profit of ₹1,25,000
(ii) Interest was received amounting to ₹45,000 from outside the business investment.
(iii) Work-in-progress valuation for financial accounts does not as a practice take into account factory overhead. Factory overhead is ₹2,15,000 in opening W-I-P and ₹2,45,000 in closing W-I-P.
(iv) The Company was engaged in Trading activity by purchasing goods of ₹11,15,845 and selling at ₹13,12,850 after incurring ₹35,000 as expenditure.
(v) A major overhaul of machinery was carried out at a cost of ₹5,50,000 and next such overhaul will be done only after five years.
(vi) Opening stock of raw material and finished goods was overvalued for ₹2,00,000 and



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closing stock was overvalued ₹1,85,000 in financial records.

Work out the profit as per Cost Accounts. [7]

- (b) Discuss the nine steps involved in the investigation methodology of a forensic audit. [7]
6. (a) Summarize the records that are required to be maintained by reporting entity under Prevention of Money- Laundering Act (PMLA), 2002 and how long these records have to be maintained? [7]
- (b) Describe the functions of the Management Audit. [7]
7. (a) Explain the Merits and Demerits of ESG. [7]
- (b) Describe the objectives of Environmental Audit. [7]
8. (a) Explain the advantages of Audit Working Paper Files. [7]
- (b) Discuss the basic standards set for Government Expenditure Audit. [7]