



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17
COST AND MANAGEMENT AUDIT

SET - 1
TERM – DECEMBER 2025
SYLLABUS 2022

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 × 2=30]
- (a)
- (i) The report on the audit of cost records is submitted by the cost auditor to _____.
a) Managing Director
b) Finance Director
c) Audit Committee
d) Board of Directors
- (ii) Which one of the below is not a regulated industry?
a) Telecommunication
b) Automobile
c) Electricity
d) Drugs & Pharmaceuticals
- (iii) A cost accountant who fails comply with the provisions of sub-section (12) of Sec. 143 of the Companies Act, 2013, shall be punishable with fine of maximum ₹ _____.
a) ₹5.00 lakhs
b) ₹25.00 lakhs
c) ₹1.00 lakhs
d) ₹10.00 lakhs
- (iv) Cost Audit Report is to be filed on MCA Portal within _____ days from the end of FY to which the Cost Audit pertains
a) 100
b) 120
c) 180
d) 250
- (v) Objective of Cost Auditing Standard _____ is to guide members in planning for the audit of Cost Statements.
a) 101
b) 102
c) 103
d) 104



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- (vi) Which of the following is not listed as a key task of audit personnel in planning a cost audit assignment?
- a) Physical inspection of the activities and the area where they are performed.
 - b) Knowledge of the key personnel responsible for the activities and maintenance of cost records.
 - c) Study of the statements of budgets, plans, and strategies relating to activities.
 - d) Preparation of the company's financial statements for statutory audit.
- (vii) Which of the following best describes an Adverse Audit Report on cost accounting records and cost statements of a company?
- a) It confirms that the cost statements are free from material misstatements and conform to accepted accounting principles.
 - b) It indicates that the cost statements are materially misstated, unreliable, and do not conform to generally accepted cost accounting principles.
 - c) It suggests that the cost statements contain minor errors that do not affect the overall reliability of financial information.
 - d) It provides a clean opinion stating that the company's operational results can be assessed accurately.
- (viii) Internal controls and internal checks are:
- a) One and the same.
 - b) Different.
 - c) Internal control includes internal checks.
 - d) None of the above.
- (ix) Who can be appointed as Internal Auditor as per the Companies Act, 2013
- a) A Chartered Accountant
 - b) A Cost Accountant
 - c) Such other professional
 - d) All of the above
- (x) A model categorizing known frauds which lists about 49 different individual fraud schemes grouped by categories and subcategories is known as .
- a) Fraud triangle.
 - b) Fraud square.
 - c) Fraud model.
 - d) Fraud tree.



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(b) Following data available from product wise profitability statement

Particulars	₹ Per Unit
Sale	100000
Raw Material	50000
Utilities	15000
Packing Material	5000
Employee Cost	5000
Consumable Stores	4000
Repair Expenses	3000
Depreciation	5000
Insurance	1000
Overheads	2000

Answer the following five questions based on the above case study

- (i) What is the variable cost of the product?
- ₹50,000 Per Unit of Finished Product
 - ₹60,000 Per Unit of Finished Product
 - ₹70,000 Per Unit of Finished Product
 - ₹80,000 Per Unit of Finished Product
- (ii) What is the Fixed cost of the product?
- ₹10,000 Per Unit of Finished Product
 - ₹20,000 Per Unit of Finished Product
 - ₹25,000 Per Unit of Finished Product
 - ₹30,000 Per Unit of Finished Product
- (iii) What is the Contribution of the product?
- ₹10,000 Per Unit of Finished Product
 - ₹20,000 Per Unit of Finished Product
 - ₹25,000 Per Unit of Finished Product
 - ₹30,000 Per Unit of Finished Product
- (iv) What is the Profitability of the product?
- ₹10,000 Per Unit of Finished Product
 - ₹20,000 Per Unit of Finished Product
 - ₹25,000 Per Unit of Finished Product
 - ₹30,000 Per Unit of Finished Product
- (v) What is Raw Material Cost as % of Total Cost?
- 54.56
 - 55.56
 - 56.56
 - 57.56



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SECTION – B

Answer any 5 questions out of 7 questions given. Each question carries 14 marks. [5 × 14 = 70]

- 2) (a) Explain the objectives of cost audit. [7]
- (b) Explain the provisions relating to Applicability for Cost Audit as per Companies (Cost Records and Audit) Rules, 2014. [7]
- 3) (a) Discuss the eligibility criteria for the appointment of a cost auditor under Section 141 of the Companies Act, 2013 (as read with Rule 10 of the Companies (Audit and Auditors) Rules, 2014) and Section 148 of the Companies Act, 2013. [7]
- (b) Classify the key factors that must be considered when planning a cost audit assignment. [7]
- 4) (a) Purchase of Materials ₹3,00,000 (inclusive of GST of ₹15,715); Free on Board ₹12,000; Import Duty paid ₹15,000; Freight inward ₹20,000; Insurance paid for import by sea ₹10,000; Rebates allowed ₹4,000; Cash discount ₹3,000; Subsidy received from the Government for importation of these materials ₹20,000. Calculate the landed cost of material (i.e. value of receipt of material). [7]
- (b) A Steel Company which produces Iron Casting Pipes and rod iron is covered under the Cost Audit according to the Companies (Cost Records and Audit) Rules 2014. From the expenditure data relating to 2024-25, calculate the employees cost according to CAS -7.

₹in Lakh

(i)	Salary, wages and other allowances	750
(ii)	Bonus	100
(iii)	Contribution to Provident Fund	90
(iv)	Wages to contractors employees	100
(v)	Employees welfare	40
(vi)	Abnormal cost due to strike	80
(vii)	VRS payment for closure of Rod Iron section of the plant	62
(viii)	Arrear Salary (2023-24)	210
(ix)	Compensation paid against the past periods against Court order	67

[7]



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5. (a) The following figures are obtained from the Cost Accounting Records of Sinjini Ltd. a single product manufacturing company:

Year ended 31st March	2025	2024
	(Amount in ₹lakh)	
Net Sales	4,800	3,840
Other Income	300	200
Increase in Value of Stock of Finished Goods	20	10
Raw materials Consumed	1,760	1,440
Direct wages, Salaries, Bonus, Gratuity etc.	440	352
Power & Fuel	240	192
Stores and Spares	160	140
Cess and local Taxes	120	100
Other manufacturing Overheads	430	370
Administrative Overheads:		
Audit fees	36	30
Salaries & Commission to Directors	48	40
Other Overheads	260	220
Selling and Distribution Overheads:		
Salaries & Wages	36	30
Packing and Forwarding	20	16
Other Overheads	250	200
Total Depreciation	120	120
Interest Charges:		
On Working Capital Loans from Bank	60	25
On Fixed Loans from IDBI	90	70
On Debentures	30	30
Provision for Taxes	316	200
Proposed Dividends	420	230

You are required to calculate the following parameters as stipulated PART-D, PARA-3 of the Annexure to Cost Audit Report under the Companies (Cost Records and Audit) Rules, 2014 for the year ended March 31, 2025 and March 31, 2024:

- (i) Value Addition
 - (ii) Earnings available for Distribution
 - (iii) Distribution of Earnings to the different claimants. [7]
- (b) Discuss the primary reasons why corporate fraud occurs, using relevant corporate case studies to support your answer. [7]



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- 6** **(a)** Discuss the FATF recommendations concerning terrorist financing and proliferation financing. [7]
- (b)** Identify the Qualities of a Management Auditor. [7]
- 7.** **(a)** Discuss the key steps of the Information Systems (IS) Audit Methodology and explain the significance of each step. [7]
- (b)** Discuss the approaches for Developing Manpower Planning. [7]
- 8.** **(a)** Discuss the scope of internal control. [7]
- (b)** Identify the key steps involved in conducting an audit of an educational institution. [7]