



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

SET - 1
TERM – JUNE 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. (a) Choose the correct option:

[15 x 2 = 30]

- (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) Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal to be filled by the Board of Directors within _____ days of occurrence of such vacancy.
- A. 30 days
 - B. 60 days
 - C. 90 days
 - D. 7 days
- (iii) In Cost Audit Report, General Information is reported in _____.
- A. Part-A-1
 - B. Part-A-2
 - C. Part-A-3
 - D. Part-A-4
- (iv) Cost Auditor to report fraud under section _____ of Companies Act,2013.
- A. Section 140(12)
 - B. Section 148(3)
 - C. Section 144(3)
 - D. Section 143(12)
- (v) CAS 21 deals with _____.
- A. Cost of service cost centre
 - B. Quality Control
 - C. Capacity determination
 - D. Cost classification



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- (vi) When the Cost Auditor of the company shall be appointed for F.Y. 2024-25?
- A. Before 31.03.2023
B. Before 31.03.2024
C. Within 60 days from the start of FY - i.e. 30.05.2024
D. Within 180 days from the start of FY -i.e. 27.09.2024
- (vii) Which Cost Auditing Standards requires Cost Auditor for forming and expressing an opinion on the Cost Statements?
- A. 101
B. 102
C. 103
D. 104
- (viii) In comparison to the independent auditor an internal auditor is more likely to be concerned with:
- A. Cost accountancy system
B. Internal control system
C. Legal compliance
D. Accounting system
- (ix) The main objective of investigation is _____.
- A. To discover errors and frauds.
B. To prevent errors and frauds.
C. To verify statements.
D. All the above.
- (x) Concept of Red Flag pertains to which Audit?
- A. Productivity Audit.
B. Energy Audit.
C. Inventory Audit.
D. Forensic Audit.
- (b) Following are the Cost Components of Product A:

Particulars
Sale
Raw Material
Utilities
Packing Material
Employee Cost
Consumable Stores
Repair expenses
Depreciation
Insurance
Overheads



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- (i) Which cost component is variable in nature?
A. Raw Material
B. Employee Cost
C. Consumable Stores
D. Overheads
- (ii) Which cost component is related to aging of Plant & Machinery?
A. Raw Material
B. Packing Material
C. Consumable Stores
D. Overheads
- (iii) Concept of OEM (Original Equipment Manufacture) is related to which cost component?
A. Raw Material
B. Utilities
C. Consumable Stores
D. Insurance
- (iv) Source of which Cost component is Fixed Asset Register?
A. Consumable Stores
B. Repairs
C. Depreciation
D. Insurance
- (v) Which Cost Element involves Expenses which are of discretionary in nature?
A. Utilities
B. Packing Material
C. Insurance
D. Overheads

SECTION – B

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

[5x14=70]

2. (a) Describe the Scope of Cost Audit [7]
(b) Explain the applicability criteria for cost audit as per the companies (Cost Records and Audit) Rules, 2014 along with exemption provided under these rules. [7]
3. (a) Discuss the qualifications of a cost auditor under section 141 of the companies Act, 2013. [7]
(b) Describe the critical elements that must be stated in the cost auditor's report, as per the applicable legal and regulatory requirements. [7]
4. (a) A plant operates 3 shifts of 8 hours each for all days except Sundays and 8 holidays. Preventive maintenance is taken care in Sundays and annual maintenance in 8 holidays. Normal idle time for food, shift change and other work for the workers is 1 hour per shift. Installed Capacity of the machine = 1200 units per hour.



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Production during last 5 years & Current year are 69.4, 72.6, 71.4, 70.5, 70.8, 69.9 lakh units. Calculate (According to CAS 2), Installed capacity, Actual capacity, Idle capacity, Abnormal idle capacity. [7]

(b) Opening stock of raw materials (5,000 units) ₹1,80,000; Purchase of Raw Materials (17,500 units) ₹7,00,000; Closing Stock of Raw Materials 3,500 units; Freight Inward ₹85,000; Self-manufactured packing material for purchased raw materials only ₹60,000 (including share of administrative overheads related to marketing sales ₹8,000); Demurrage charges levied by transporter for delay in collection ₹11,000; Normal Loss of materials due to shrinkage in transit 1% of materials purchased; Abnormal Loss due to absorption of moisture before receipt of materials 100 units. Calculate the value of Closing Stock (Average Cost Method). [7]

5. (a) The Cost Accountant of TRINCUS TEXTILES MILLS LTD. has arrived at a Profit of ₹20,10,500 based on Cost Accounting Records for the year ended March 31, 2024. Profit as per Financial Accounts is ₹22,14,100.

As a Cost Auditor, you find the following differences between the Financial Accounts and Cost Accounts:

	Particulars	₹
(1)	Profit on Sale of Fixed Assets	2,05,000
(2)	Loss on Sale of Investments	33,600
(3)	Voluntary Retirement Compensation included in Salary & Wages in F/A	50,25,000
(4)	Donation Paid	75,000
(5)	Insurance Claim relating to previous year received during the year	5,08,700
(6)	Profit from Retail trading activity	32,02,430
(7)	Interest Income from Inter-Corporate Deposits	6,15,000
(8)	Decrease in value of Closing WIP and Finished goods inventory	
	as per Financial Accounts	3,82,06,430
	as per Cost Accounts	3,90,12,500

Prepare a Reconciliation Statement between the two Accounts for the year ended March 31, 2024.

[7]
(b) Explain the investigative techniques used in forensic accounting. [7]

6. (a) Discuss the functions of Financial Intelligent Unit-India (FIU-IND) [7]

(b) Identify the steps of Management Audit. [7]

7. (a) Explain the Reasons for Adopting ESG in Business Practices [7]

(b) Discuss the various managerial accounting tools which are used to serve different decision making purposes in an organization. [7]

8. (a) Explain the advantages of Audit Note book [7]

(b) Describe the special feature of Co-operative Society Audit. [7]