

# PAPER - 19

# MCQs

BIT QUESTIONS

## Cost and Management Audit



DIRECTORATE OF STUDIES  
THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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**PAPER -19**  
**Cost and Management Audit**  
**Bit Questions**

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**Choose the most appropriate answer giving justification.**

1. Part C of the Annexure to the Cost Audit Report in CRA 3 deals with \_\_\_\_\_.  
 (A) Manufacturing Sector  
 (B) Service Sector  
 (C) Regulated Sector  
 (D) Unregulated Sector
  
2. Cost Accounting Standard 8 is a Cost Accounting Standard on \_\_\_\_\_.  
 (A) Employee Cost  
 (B) Utilities Cost  
 (C) Pollution Control Cost  
 (D) Selling and Distribution Cost
  
3. Under the Generally Accepted Cost Accounting Principles, the cost of cane supplied from own farm to the sugar mill is treated as \_\_\_\_\_.  
 (A) Direct Materials Cost  
 (B) Indirect Materials Cost  
 (C) Production Overhead  
 (D) Administrative Overhead
  
4. Constitution of Audit Committee by the Board of Directors is mandatory for \_\_\_\_\_.  
 (A) all companies  
 (B) all listed companies only  
 (C) all listed companies and those prescribed under the Companies (Meetings of Board and its Powers) Rules only  
 (D) all public companies having turnover of ₹100 crore or more only
  
5. Cost Auditing Standard 102 deals with \_\_\_\_\_.  
 (A) planning an Audit of Cost Statements  
 (B) Cost Audit Documentation  
 (C) knowledge of process and business  
 (D) overall objectives of the Independent Cost Auditor
  
6. As per the Central Excise Valuation Rules 2000, the assessable value of goods used for captive consumption is \_\_\_\_\_.  
 (A) at actual cost of production of such goods  
 (B) at marginal cost of production of such goods  
 (C) at 110% of cost of production of such goods  
 (D) at market price of such goods
  
7. 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 \_\_\_\_\_.  
 (A) 82%  
 (B) 76%  
 (C) 74%  
 (D) 78%
  
8. Propriety Audit in the context of Government Audit seeks to ensure that \_\_\_\_\_.  
 (A) public money are not spent for the benefit of a particular person  
 (B) public officer should exercise same vigilance as in respect of expenditure of his/her own money

- (C) no authority should pass an order which will be directly or indirectly to its own advantage  
 (D) All the above
9. The Cost Accounting Standard 15 is a Cost Accounting Standard on \_\_\_\_\_.  
 (A) Employee Cost  
 (B) Utilities Cost  
 (C) Pollution Control Cost  
 (D) Selling and Distribution Overheads Cost
10. Overall Objectives of the independent Cost Auditor and conduct of an Audit in accordance with Cost Auditing Standard is dealt in \_\_\_\_\_.  
 (A) Cost Auditing Standard 101  
 (B) Cost Auditing Standard 102  
 (C) Cost Auditing Standard 103  
 (D) Cost Auditing Standard 104
11. A company, engaged in construction business, is covered under the Companies (Cost Records and Audit) Rules, 2014 but does not include \_\_\_\_\_.  
 (A) outsourcing by a sub-contracting company  
 (B) a company working on BOT (Build, Operate, Transfer) mode  
 (C) a company working in a Special Economic Zone  
 (D) a project undertaken as EPC (Eng., Procurement, Constn.) contract
12. A manufacturing unit showed, during the Financial Year 2016-17, the following financial data (in ₹lakh): Net Sales 1,250, Export Incentives 85, Other income 106, Adj. of Finished Stock (+) 95, Materials 634, Salaries 425, Overheads 101.8, and Tax 52.6. The Value Added as per Rules is (in ₹lakh) \_\_\_\_\_.  
 (A) 946  
 (B) 796  
 (C) 755  
 (D) 688
13. Royalty paid on production ₹35,000, Job Charges ₹20,000, Special Design Charges ₹ 20,000, Software Development Charges related to Production ₹27,000, and Travelling abroad for Training ₹25,000 The Direct Expenses as per CAS 10 is ₹ \_\_\_\_\_.  
 (A) 92,000  
 (B) 1,00,000  
 (C) 1,02,000  
 (D) 1,27,000
14. Operational Audit can lead to better management with the focus on \_\_\_\_\_.  
 (A) Transaction-based analysis for Fraud Prevention  
 (B) Compliance of Rules  
 (C) Risk Identification, Process Improvement  
 (D) Budget Monitoring
15. Penalty paid to PF authorities is \_\_\_\_\_ in Employee Cost.  
 (A) included  
 (B) excluded  
 (C) based on individual case  
 (D) partly included
16. 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
17. \_\_\_\_\_ Analysis is evaluation of every resources declared in the industry.
- (A) Capacity
  - (B) Energy
  - (C) Productivity
  - (D) Efficiency
18. Which one of the following is not a professional misconduct in relation to Cost Accountants in Practice as per the Second Schedule of The CWA Act, 1959?
- (A) He/she fails to invite attention to any material departure from the generally accepted procedure of costing and pricing applicable to the circumstances
  - (B) He/she does not exercise due diligence or is grossly negligent in the conduct of his/her professional duties
  - (C) He/she fails to report a material misstatement known to him/her to appear in a cost or pricing statement with which he/she is concerned in a professional capacity
  - (D) In the opinion of the Council, he/she brings disrepute to the Profession or the Institute as a result of his/her action whether or not related to his/her professional work
19. In which CRA Form, is the Cost Audit Report of a company filed with the Central Government?
- (A) CRA-4
  - (B) CRA-3
  - (C) CRA-1
  - (D) CRA-2
20. CAS 23 deals with .....
- (A) Quality Control
  - (B) Manufacturing Cost
  - (C) Overburden Removal Cost
  - (D) Treatment of Revenue in Cost Statements
21. As per the Cost Auditing Standard 101, the risk of Material Misstatements has two components, viz., .....
- (A) Inherent Risk and Control Risk
  - (B) Detection Risk and Audit Risk
  - (C) Material Risk and Implicit Risk
  - (D) Financial Risk and Explicit Risk
22. As per Part D, Para 4 of the Companies (Cost Records and Audit) Rules, 2014, Value Addition and Distribution of Earnings are to be computed based on
- (A) Audited Financial Data
  - (B) Cost Record Data
  - (C) Unaudited Financial Data
  - (D) Both (A) and (B)
23. The audit of data or information, depicting social performance of a business in contrast to its normal economic performance as measured in financial audit, is
- (A) Energy Audit
  - (B) Efficiency Audit
  - (C) Social Audit

(D) Propriety Audit

24. Which of the following is not a Professional Misconduct as per the First Schedule of The CWA Act, 1959, in relation to the Cost Accountants in Practice?
- (A) Pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his/her professional work, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner
  - (B) Enters into a partnership, in or outside India, with any person other than a Cost Accountant in Practice or such other person who is a member of any other professional body having such qualifications as may be prescribed
  - (C) Advertises his/her professional attainments or services or uses any designation or expression other than Cost Accountant on professional documents, visiting cards, letter heads or sign boards, unless it is a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of The ICAI or any other institution that has been recognised by the Central Government or may be recognised by the Council
  - (D) Expresses his/her opinion on cost or pricing statements of any business or enterprise in which, he/she, his/her firm or a partner in his/her firm has substantial interest
25. Remuneration of the Non-Executive Directors is treated as .....
- (A) Employee Costs
  - (B) Administrative Overheads
  - (C) Salaries and Wages
  - (D) Management Expenses
26. As per the CAS 23, the activity of Overburden Removal that benefits the identified component of an ore to be mined by the entity is called as .....
- (A) Mining Activity
  - (B) Overburden Removal
  - (C) Stripping Activity
  - (D) Advance Stripping
27. Cost Information \_\_\_\_\_ the organization to structure the cost, understand it and use it for communicating with the stakeholders.
- (A) Enables
  - (B) Disables
  - (C) Useful
  - (D) None of these
28. Costing is an important tool in \_\_\_\_\_ organizational performance in terms of shareholder and stakeholder value.
- (A) Determining
  - (B) Calculating
  - (C) Assessing
  - (D) None of these
29. Costing includes product, process, and resource-related information covering the \_\_\_\_\_ of the organization and its value chain.
- (A) Performance
  - (B) Ability
  - (C) Consistency
  - (D) Functions



30. Cost Records are maintained on \_\_\_\_\_ basis.
  - (A) Accrual
  - (B) Cash
  - (C) Actual
  - (D) None of these
  
31. Cost Audit represents true and faire view of the \_\_\_\_\_ of any product.
  - (A) Cost of sale
  - (B) Cost of raw material consumption
  - (C) Cost of production
  - (D) None of these
  
32. Cost Audit \_\_\_\_\_ conducted by a Chartered Accountant.
  - (A) May be
  - (B) Can be
  - (C) Cannot be
  - (D) May not be
  
33. The Cost Auditor appointed has to render the cost audit report to the board of directors of the Company, as per the specified time limit, in Form \_\_\_\_\_.
  - (A) CRA-3
  - (B) CRA - 1
  - (C) XBRL
  - (D) CRA - 2
  
34. The cost records are to be maintained as specified in:
  - (A) CRA3
  - (B) CRA1
  - (C) CRA 4
  - (D) CRA 2
  
35. 'Sugar and Industrial Alcohol' belong to \_\_\_\_\_ sector for the purpose of Application of Cost Records.
  - (A) Regulated
  - (B) Non-Regulated
  - (C) Both depending on circumstances
  - (D) None of above
  
36. Cost Audit was initially introduced in the year \_\_\_\_\_.
  - (A) 1959
  - (B) 1965
  - (C) 1949
  - (D) 1975
  
37. The Central Govt. released the CCRA – Rules, 2014 in pursuance to the powers vested with it U/s ----- of the Companies Act, 2013
  - (A) Section 469
  - (B) Section 148
  - (C) Section 465
  - (D) Section 469 and 148
  
38. The CCRA – Rules, 2014 supersedes
  - (A) Companies (Cost Accounting Records) Rules, 2011
  - (B) Companies (Cost Audit Report) Rules, 2011
  - (C) Cost Accounting Records (Telecommunication Industry) Rules, 2011
  - (D) All the above

39. The provisions related to maintenance of cost records were introduced in the year ---  
----- by amendment to the companies act, 1956.  
(A) 1960  
(B) 1965  
(C) 1966  
(D) 1970
40. The CCRA – Rules, 2014 is not applicable to  
(A) MSME  
(B) Export oriented units  
(C) Private limited companies  
(D) Units operating from SEZ
41. The cost audit report under CCRA – Rules, 2014 is to be submitted in -----  
(A) Form – 3  
(B) Form – 4  
(C) Form – 1  
(D) Form – 2
42. The cost audit report under CCRA – Rules, 2014 is to be filed as an attachment to -----  
-----  
(A) Form – 3  
(B) Form – 4  
(C) Form – 2  
(D) None of the above
43. Which one of the below is not a regulated industry  
(A) Fertilizers  
(B) Aluminium  
(C) Sugar  
(D) Petroleum products
44. The turnover criteria for applicability of CCRA – Rules, 2014 is  
(A) At the end of immediately preceding financial year  
(B) At the end of the financial year  
(C) Average of 3 preceding financial year  
(D) When the company achieves the turnover during the current financial year
45. The cost auditor to be appointed within ----- days of the beginning of the financial year.  
(A) 90 days  
(B) 180 days  
(C) 6 months  
(D) 270 days
46. CCRA – Rules, 2014 is applicable from the financial year commencing on or after  
(A) 01.01.2014  
(B) 01.04.2014  
(C) 01.07.2014  
(D) 01.04.2015
47. Which Para in covered in Part D to the Annexures to Cost audit report.  
(A) Profit Reconciliation  
(B) Value addition and distribution of profit  
(C) Reconciliation of Indirect taxes

- (D) Abridge Cost Statement
48. CAS 11 deals with:  
(A) Administrative Overhead  
(B) Factory Overhead  
(C) Selling & Distribution Overhead  
(D) Financial Cost
49. CAS 5 deals with \_\_\_\_\_  
(A) Equalized cost of transportation  
(B) Captive consumption  
(C) Capacity determination  
(D) Cost classification
50. The foreign exchange component of imported material is converted at the rate on -  
(A) Date of Payment  
(B) Date of Delivery  
(C) Date of Transaction  
(D) Date of Use
51. Variances due to abnormal reasons ----- form part of cost as per GACAP.  
(A) Will Not  
(B) Is  
(C) Are  
(D) Will
52. As per CAS 2 Actual Capacity utilization shall be presented as a percentage of \_\_\_\_\_ capacity.  
(A) Installed Capacity  
(B) Practical Capacity  
(C) Abnormal Loss (%)  
(D) Actual Production
53. CAS-20 deals with \_\_\_\_\_  
(A) Royalty and Technical Knowhow fee  
(B) Material Cost  
(C) Research & Development Cost  
(D) Financial Cost
54. The objective of CAS - 101 is to \_\_\_\_\_.  
(A) Prepare cost records  
(B) Prepare cost audit documentation  
(C) Guide the members to make planning for the audit of cost statement  
(D) Enable the cost auditor to have knowledge of the clients business
55. The procedures followed by the cost auditor to reduce the audit risk to an acceptable level will not detect a misstatement that exists and that could be material is \_\_\_\_\_.  
(A) Inherent risk  
(B) Detection risk  
(C) Control risk  
(D). None of these
56. Cost auditing standard deals with \_\_\_\_\_.  
(A) Auditors responsibility  
(B) Auditors power

- (C) Auditors right  
(D) Auditors flexibility
57. Cost auditing standards preface to the standards on \_\_\_\_\_.  
(A) Quality control  
(B) Planning  
(C) Development  
(D) None of these
58. Cost auditing standards preface to the standards on auditing, quality control review and related services rendered by the cost accountant has been issued by \_\_\_\_\_.  
(A) ICAI  
(B) ICMAI  
(C) CAASB  
(D) ICWAI
59. CAS \_\_\_\_\_ ensures the achievement of audit objectives with available resources and securing coordination with the auditee on audit work.  
(A) CAS – 102  
(B) CAS –104  
(C) CAS – 103  
(D) CAS- 101
60. CAS 104 enables the cost auditor \_\_\_\_\_.  
(A) To have knowledge of the clients business  
(B) Overall objectives of the cost auditor and the conduct of an audit  
(C) Guide the members to prepare cost audit documentation  
(D) Making plan for audit of cost statement
61. Requirements of CAS – 104, the cost auditor shall \_\_\_\_\_.  
(A) Comply with the relevant ethical requirements  
(B) Have adequate level of understanding of the knowledge of business  
(C) Prepare audit documentation  
(D) None of these
62. The cost auditing standards deal with the \_\_\_\_\_ of the cost auditor.  
(A) Efficiency  
(B) Effectiveness  
(C) Qualifications  
(D) Responsibility
63. The cost auditor is \_\_\_\_\_ for forming and expressing an opinion on the cost statements.  
(A) Responsible  
(B) Reasonable  
(C) Irresponsible  
(D) Assessing
64. Which one of the following KPI is used to measure productivity & efficiency a machinery  
(A) % of Idle time to total available time  
(B) Machine downtime ratio  
(C) Cost per of Break-Down Hour  
(D) Contribution per unit of material used
65. KPI can be classified in \_\_\_\_\_ following Category.

- (A) Quantitative & Qualitative
  - (B) Actionable
  - (C) Trending
  - (D) All of the above
66. Which one of the following is covered under performance analysis report
- (A) Cost per unit of material used
  - (B) Cost of utilities
  - (C) Impact of IFRS on the Cost Structure
  - (D) Impact of CAS and GACAP
67. The basic objective to prepare report on performance analysis is/are as under
- (A) to improve profits and profitability
  - (B) to optimize resource allocation
  - (C) to optimize the product and services portfolio
  - (D) All of the above
68. Performance Prism is basically used for the purpose of \_\_\_\_\_
- (A) Cost Reduction
  - (B) Cost Control
  - (C) Total performance management
  - (D) None of the above
69. Kaizen Costing & Lean Manufacturing (Management Accounting Tool) are used as \_\_\_\_\_
- (A) Cost Reduction Tool
  - (B) Cost Computation Tool
  - (C) Performance Measure Tool
  - (D) Control Tool
70. Management audit is the unique process of \_\_\_\_\_ the performance of directors, managers or the performance of Management.
- (A) Appraising
  - (B) Calculating
  - (C) Auditing
  - (D) Planning
71. Management audit is normally presumed to be a \_\_\_\_\_ into a performance of a manager or group of managers.
- (A) Routine investigation
  - (B) Non-routine investigation
  - (C) Auditing
  - (D) None of these
72. The main objectives of management audit is to \_\_\_\_\_.
- (A) Suggest improvement in methods of operations
  - (B) Framing basic policies for the organization
  - (C) Setting up an organizational framework
  - (D) None of these
73. Management audit \_\_\_\_\_ on financial matters.
- (A) Involves
  - (B) Only concentrate
  - (C) Does not concentrate
  - (D) None of these

74. The main emphasis of Management Audit is:  
(A) Problem solving  
(B) Problem identification  
(C) Problem definition  
(D) Problem avoidance
75. Efficiency Audit ensures \_\_\_\_\_ return on Capital Employed  
(A) optimum  
(B) maximum  
(C) minimum  
(D) average
76. There are no fixed items of evidence to be checked by Management Auditor  
(A) The statement is true  
(B) The statement is false  
(C) The statement is partly true  
(D) The statement is partly false
77. Consumer Service Audit is part of \_\_\_\_\_  
(A) Business Activity Audit  
(B) Social Audit  
(C) Service Audit  
(D) None of Above
78. Management Audit Report Submitted to:  
(A) Cost Audit Branch  
(B) Audit Committee  
(C) Central Government  
(D) Management of Concern
79. There are no fixed items of evidence to be checked by Management Auditor. A Management Auditor has to rely more on \_\_\_\_\_  
(A) his experience and acumen  
(B) Auditors Working Paper  
(C) Physical Verification Sheet  
(D) Information Provided by Management
80. Assurance engagements involve \_\_\_\_\_  
(A) Only Individual Parties  
(B) Three separate parties  
(C) Contractor and Contractee  
(D) None of them
81. Zero base budget (ZBB) system was modeled by \_\_\_\_\_  
(A) Peter A Woodcock  
(B) Peter A Phyrh  
(C) P F Ducker  
(D) None of them
82. Important point in Corporate planning is \_\_\_\_\_  
(A) Time and Work Study  
(B) Imposing Control System  
(C) Forecasting and goal setting  
(D) SWOT analysis.
83. Who is the developer of Management Audit

- (A) T. G. Rose
  - (B) T. G. Tailors
  - (C) M. C. Sukla
  - (D) None of them
84. Internal control system can be comprised of
- (A) Preventive Control
  - (B) Detective Control
  - (C) Corrective Control
  - (D) All of the above
85. 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
86. Which section of Companies Act deals with Internal Audit
- (A) Section 138
  - (B) Section 148
  - (C) Section 139
  - (D) Section 192
87. One of the major components of government audit is/are
- (A) Government Revenue
  - (B) Union Budget and Control
  - (C) Government Expenditure
  - (D) Taxation and Fiscal Policies
88. Internal Audit can be performed by
- (A) Employee of the Organization
  - (B) External Agencies
  - (C) Management itself
  - (D) Both (A) and (B)
89. NGO(s) are incorporated under
- (A) Societies Registration Act, 1860
  - (B) India Trust Act, 1882
  - (C) As Section 8 Company
  - (D) All of the above
90. The management auditor shall consider in the evaluation of capacity utilization –
- (A) Method of measuring base machine capacity
  - (B) Capacity measurement is based on “capital output ratio” or sundry other factors
  - (C) Technical terminology like licensed capacity, installed capacity, rated capacity etc should be properly defined
  - (D) All of the above
91. Qualities of good Internal Auditor are/is
- (A) Right Attitude
  - (B) Technical Expertise
  - (C) Communication and other soft skills
  - (D) All of the above
92. An audit of or for a government agency is composed
- (A) Financial compliance

- (B) Economy and efficiency
  - (C) Program results
  - (D) All of the above
93. Aspects may be taken into consideration for proper inventory control
- (A) Maximum, minimum and reorder level fixation
  - (B) Fixed order quantity system and different replenishment systems
  - (C) Fast moving, slow moving and non-moving analysis etc
  - (D) All of the above
94. Internal Audit is \_\_\_\_\_
- (A) One time activity
  - (B) A continuous activity
  - (C) Half yearly
  - (D) None of above
95. There is no requirement of Audit Working Papers while conducting audit and they only result in loss of time.
- (A) The Statement is Correct
  - (B) The Statement is Incorrect
  - (C) The Statement is Incomplete
  - (D) None
96. Co-operative Auditor has to conduct an examination of the overdue debts, if any, and a valuation of the assets and liabilities of the society while conducting internal audit as per
- (A) Section 17(3) of the Cooperative Societies Act, 1912
  - (B) Section 17(2) of the Cooperative Societies Act, 1912
  - (C) Section 17(5) of the Cooperative Societies Act, 1912
  - (D) Section 37(2) of the Cooperative Societies Act, 1912
97. Field Balance Sheet Approach to audit can be applied in case of audit of the
- (A) Co-Operative societies
  - (B) Local Body Corporate
  - (C) Self-Help Group
  - (D) Club
98. Under 'propriety audit', the auditors try to bring out what type of expenditure:
- (A) Improper
  - (B) Avoidable
  - (C) In fructuous
  - (D) All of the above
99. \_\_\_\_\_ States about the audit of accounts of Municipalities.
- (A) Article 243Z of the Constitution
  - (B) Article 243J of the Constitution
  - (C) Both (A) and (B)
  - (D) None of the above
100. What is the first step to conduct Hospital Audit?
- (A) Check the letter of appointment
  - (B) Study Trust Deed
  - (C) Examine Records
  - (D) Physical Verification
101. Who appoint the auditor for Government Company?



- (A) Board of Directors
  - (B) Audit Committee
  - (C) C&AG
  - (D) CBDT
102. C&AG has right to direct the manner in which the 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) 44AB of income Tax
  - (B) 143 of the Companies Act, 2013
  - (C) 173 of the Companies Act, 2013
  - (D) 134 of the Companies Act, 2013
103. Financial Administration of Local Bodies includes
- (A) Budgetary Procedure
  - (B) Expenditure Control
  - (C) Accounting System
  - (D) All of the above
104. Non-Governmental Organizations can be incorporated as a company
- (A) Section 25 of the Companies Act, 1956
  - (B) Section 8 of the Companies Act, 2013
  - (C) Section 28 of the Companies Act, 2013
  - (D) None of the above
105. The government also engages in commercial activities and for the purpose it may incorporate \_\_\_\_\_ type of entities.
- (A) Five
  - (B) Three
  - (C) Many
  - (D) Various
106. Which one of the followings in an example of "Profitability Ratio"
- (A) Inventory Turnover Ratio
  - (B) Proprietary Ratio
  - (C) Expenses Ratio
  - (D) Capital Gearing Ratio
107. Which one of the followings in an example of "Solvency Ratio"
- (A) Capital turnover Ratio
  - (B) Debt Equity ratio
  - (C) Debtors Turnover Ratio
  - (D) None of above
108. Which one of the following is not an utilities.
- (A) Steam
  - (B) Water
  - (C) Compressed Air
  - (D) Broadband internet services
109. Cost of Inventory does not include
- (A) Costs of Purchase
  - (B) Costs of Conversion
  - (C) Other Direct Cost
  - (D) Administrative overheads that do not contribute to bringing inventories to their present location and condition

110. Which one of the following costs appeared only in Cost Accounts?  
 (A) Interest on mortgage and loans  
 (B) Notional Interest on Capital  
 (C) Dividend equalization fund, sinking, fund etc  
 (D) Loss due to scrapping of plan and machinery
111. Royalty paid on sales ₹30,000; Royalty paid on units produced ₹20,000, Hire Charges of equipment used for production ₹2,000, Design charges ₹15,000, Software development charges related to production ₹22,000. The Direct Expenses amount is:  
 (A) ₹88000  
 (B) ₹89000  
 (C) ₹99000  
 (D) ₹98000
112. The Balance Sheet of X Ltd As on 31st March 2017 showed the following information:  
 Capital - ₹1500 lacs, Reserves - ₹696 lacs, Loans - ₹600 lacs, Sundry Creditors ₹774 lacs, Total assets - ₹3570 lacs. For the year 16-17, PBT - ₹900 lacs, Provision for tax is ₹360 lacs and proposed dividend is ₹300 lacs. Return on Network is:  
 (A) 30.41 %  
 (B) 29.41 %  
 (C) 28.41 %  
 (D) 27.41%
113. Royalty paid on units produced ₹20,000, Hire Charges of equipment used for production ₹2,000, Design charges ₹15,000, Software development charges related to production ₹22,000. The Direct Expenses is:  
 (A) ₹57000  
 (B) ₹59000  
 (C) ₹37000  
 (D) ₹44000
114. A cotton textile mill had cumulative waste percentage of 8% in Blow Room, 6% in Carding, 4% in Drawing, 4% in Simplex and 9% in Ring Frame. For an input of 1000 kg. of cotton in Blow Room, the output at Ring Frame is \_\_\_\_\_.  
 (A) 735.27 Kg  
 (B) 725.27 Kg  
 (C) 745.27 Kg  
 (D) 755.27 Kg
115. Gross Sales ₹16500 lacs, Excise Duty ₹1240 lacs, Increase in stock ₹42 lacs, Cost of raw materials ₹6250 lacs, Power ₹2220 lacs, other overheads ₹215 lacs, Value Added is:  
 (A) ₹15260 Lac  
 (B) ₹6617 Lac  
 (C) ₹6533 Lac  
 (D) ₹15302 lac
116. Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 deals with:  
 (A) Application of Cost Records  
 (B) Application of Cost Audit  
 (C) Appointment of Cost Auditor  
 (D) Cost Audit Report
117. Abnormal Loss due to flood or earthquake is charged to:  
 (A) Administrative Overhead Cost  
 (B) Material Cost

- (C) Costing Profit and Loss Account  
(D) Selling and Distribution Cost
118. XBRL is a language based on:  
(A) XBL family of languages  
(B) XRL family of languages  
(C) XML family of languages  
(D) XGL family of languages
119. Part B of the Annexure to Cost Audit Report deals:  
(A) Service Sector  
(B) Manufacturing Sector  
(C) Both manufacturing and service sector  
(D) None of the above
120. CAS 14 deals with:  
(A) Repair and Maintenance Cost  
(B) Pollution Control Cost  
(C) Direct Expenses  
(D) Packing material cost
121. Operating Expense does not include:  
(A) Rent  
(B) Equipment  
(C) Interest  
(D) Payroll
122. Outward transportation cost shall form part of :  
(A) Cost of material  
(B) Cost of Sale  
(C) Packing material  
(D) Administration Overhead
123. Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 deals with:  
(A) Application of Cost Records  
(B) Application of Cost Audit  
(C) Appointment of Cost Auditor  
(D) Cost Audit Report
124. Product and Profitability Statement (For audited products/services) is shown under \_\_\_\_\_ of Annexure to Cost Audit Report.  
(A) Part A  
(B) Part B  
(C) Part C  
(D) Part D
125. Any casual vacancy in the office of a cost auditor, shall be filled by the Board of Directors within \_\_\_\_\_ days of occurrence of such vacancy.  
(A) 180  
(B) 90  
(C) 30  
(D) 60
126. The Companies are required to maintain Cost Records if turnover exceeds \_\_\_\_\_ crores or more during immediately preceding Financial Year in respect of the products and services specified

- (A) ₹25
  - (B) ₹30
  - (C) ₹35
  - (D) ₹10
127. Which one of the following is not a professional misconduct in relation to Cost Accountants in Practice as per the First Schedule of The CWA Act, 1959?
- (A) discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client, or otherwise than as required by any law for the time being in force
  - (B) allows any person to practice in his name as a cost accountant unless such person is also a cost accountant in practice and is in partnership with or employed by himself
  - (C) accepts or agrees to accept any part of the profits of the professional work of a person who is not a member of the Institute
  - (D) secures, either through the services of a person who is not an employee of such cost accountant or who is not his partner or by means which are not open to a cost accountant, any professional business
128. CAS 9 deals with
- (A) Direct Material Cost
  - (B) Indirect Material Cost
  - (C) Packing Material Cost
  - (D) Imported Material Cost
129. Operational Audit is a \_\_\_\_\_ Level Management Audit.
- (A) Macro
  - (B) Micro
  - (C) Depends on situation
  - (D) None of the above
130. Exemptions from application of the Rules are provided to Companies whose revenue from exports, in foreign exchange, exceeds \_\_\_\_\_ of total revenue and companies operating from Special Economic Zones.
- (A) 45%
  - (B) 50%
  - (C) 75%
  - (D) 80%
131. In XBRL Format process of determining the elements that correspond to lines and columns in a financial statement and which elements must be created by extension is:
- (A) Mapping
  - (B) Label
  - (C) Hierarchy
  - (D) Scaling
132. Before submission to the Auditor for Report, the Form CRA 3 should be signed by \_\_\_\_\_.
- (A) The Secretary and the Chief Finance Officer of the company
  - (B) The Secretary and the Cost Accounts Officer of the company
  - (C) The Secretary and one Director of the company
  - (D) The Chief Finance Officer and the Managing Director of the company
133. Cost of self-generation utilities for own consumption shall comprise \_\_\_\_\_.
- (A) Administrative overheads

- (B) Distribution cost  
 (C) Factory overheads  
 (D) None of the above
134. The useful life of an intangible asset, like amount paid on technical knowhow, shall not exceed \_\_\_\_\_ from the date it is available for use.  
 (A) 5 years  
 (B) 8 years  
 (C) 10 years  
 (D) 12 years
135. Cost Audit Documentation is dealt in the \_\_\_\_\_.  
 (A) Cost Auditing Standard 101  
 (B) Cost Auditing Standard 102  
 (C) Cost Auditing Standard 103  
 (D) Cost Auditing Standard 104
136. A member of The ICAI shall be deemed to be guilty of other misconduct, if he/she is held guilty by any civil or criminal court of an offence which is punishable with imprisonment \_\_\_\_\_.  
 (A) For a term exceeding 3 years  
 (B) For a term exceeding 3 months  
 (C) For a term exceeding 6 months  
 (D) For a term exceeding 2 years
137. Costing Taxonomy is best defined as a \_\_\_\_\_.  
 (A) Dictionary  
 (B) Made Easy  
 (C) Tax Ready Reckoner  
 (D) Referencer
138. Which of the following ratios appears as Profitability Ratio in Part D of Annexure to the Cost Audit Report ?  
 (A) Net Profit to Net Sale  
 (B) Value added to Net Sales  
 (C) Profit before Tax to Value Added  
 (D) Net Profit to Share Capital
139. CAS 24 deals with \_\_\_\_\_.  
 (A) Overburden Removal Cost  
 (B) Interest and Financing Charges  
 (C) Royalty and Technical Knowhow Fee  
 (D) Treatment of Revenue in Cost Statements
140. ORS Ltd is a multi-product company having annual turnover of ₹103 crore, Table A items under CARO being ₹26 crore, Table B items ₹8 crore and the rest are not covered in either of the Tables. Cost Audit will be \_\_\_\_\_.  
 (A) not applicable to the company  
 (B) applicable for Table A products only  
 (C) applicable for all products  
 (D) applicable for Table A and Table B products only
141. The wages of employees of contractor engaged in the organization for the past period is \_\_\_\_\_ Employee Cost.  
 (A) included in  
 (B) excluded from

- (C) included to the extent of statutory contribution of employer  
 (D) partly included
142. The figures below are available for Reliable Ltd Budgeted production - 800 units, Standard hours per unit 25, Actual production 576 units and actual working— 12000 hours. What is the Efficiency Ratio?  
 (A) 110%  
 (B) 120%  
 (C) 100%  
 (D) 125%
143. Machinery used in defense, space and atomic energy sector and fulfilling turnover criteria is under  
 (A) regulated sector  
 (B) unregulated sector  
 (C) exempted by different statute  
 (D) not applicable category
144. Cost Auditing Standard 102 deals with \_\_\_\_\_ .  
 (A) knowledge in performing of audit of cost statements, records etc  
 (B) ensuring conduct of audit of cost statements  
 (C) planning on audit of cost statements, records etc  
 (D) documentation of audit of cost statements, records etc
145. The abridged cost statement (CRA 3) need not be separate for  
 (A) each product with separate (CTA) CETA heading  
 (B) each product having separate industry specific expenses  
 (C) each product having different unit of measure  
 (D) self/captive consumption of each product
146. The Management Auditor should evaluate MIS of an organization after \_\_\_\_\_ .  
 (A) studying content, quality and source of information  
 (B) studying flow of information  
 (C) studying correlation of information in decision areas  
 (D) studying all the above
147. The first step in audit of Educational Institutions —  
 (A) Read through the minutes of the meetings of the Managing Committee or Governing Body  
 (B) Check admission fees with admission slips signed by the head of the institution and confirm that the amount had been credited to a Capital Fund  
 (C) Verify the annual statement of accounts  
 (D) To examine the Trust Deed or Regulations
148. SHYAN LTD has a machine of productive capacity of 1500 unit per hour. It runs 3 shifts with 1 weekly off and 12 holidays per year, each shift has one hour stoppage due to lunch, change shift etc Maintenance is done in running time. The Normal Capacity of the plant as per CAS-2 will be  
 (A) 131.40 lakh units  
 (B) 94.815 lakh units  
 (C) 108.36 lakh units  
 (D) None of the above
149. BORS & Co., a firm of Cost Accountants was appointed as Cost Auditor of PANTEX LTD on 31.07.2018 for auditing the cost records for the FY 2018-19. The Auditor appointed as such shall continue in such capacity upto

- (A) 31.07.2019, on expiry of one year of appointment  
 (B) 30.09.2019, on expiry of six months from close of accounts  
 (C) 30.08.2019, date of submission date of Cost Audit Report  
 (D) 15.09.2019, date of holding of Annual General Meeting of PANTEX LTD
150. Which one of the following KPI (Key Performance Indicator) is used to measure efficiency of manufacturing performance?  
 (A) Production per Machine Hour  
 (B) Operating Cycle of Materials turnover  
 (C) Material as % of Total Cost  
 (D) % of idle time to total available time
151. The consumer service audit critically examines:  
 (A) Outstanding payment of consumers  
 (B) Price consumers are ready to pay for particular product/service  
 (C) An appraise management of business enterprise of responsibility towards consumers  
 (D) Demand of a product by consumers
152. "Related Party" with relation to a party means  
 (A) a Director or his relative  
 (B) a Key Managerial Person or his relative  
 (C) a firm, in which a Director, Manager or his relative is a partner  
 (D) Either or all of the above
153. Once the instance document is successfully validated from the tool, the next step is to  
 (A) download XBRL validation tool  
 (B) pre-scrutinize the validated instance document  
 (C) convert to human readable format and verify correctness of the instance document  
 (D) attach instance document to the Form CRA-4
154. The Bureau of Energy Efficiency is formed under  
 (A) The Electricity Act, 2003  
 (B) The Energy Conservation Act, 2001  
 (C) The Electricity (Supply) Act, 1948  
 (D) The Electricity Regulatory Commission Act, 1998
155. The knowledge of Entity's Internal Control is to be understood by the Cost Auditor as required by  
 (A) Cost Auditing Standard 101  
 (B) Cost Auditing Standard 102  
 (C) Cost Auditing Standard 103  
 (D) Cost Auditing Standard 104
156. Profit Reconciliation of the company as a whole is dealt in  
 (A) Part D para 2 of the Annexure to Cost Audit Report  
 (B) Part C para 1 of the Annexure to Cost Audit Report  
 (C) Form of the Cost Audit Report  
 (D) Part A para 1 of the Annexure to Cost Audit Report
157. The following details relating to MENG LTD are given:

	₹
Royalty paid on Units produced	25,000
Hire charges on Equipment	20,000
Design Charges	18,000

Software Development Charges for Production	22,000
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What will be the Direct Expenses of the Company (as per CAS-10)?

- (A) ₹60,000
- (B) ₹63,000
- (C) ₹65,000
- (D) ₹85,000

Answer:

- (1) **(B) Service Sector**  
Part C of the Annexure to the Cost Audit Report in Form CRA 3 pursuant to the Rule 6(4) of the Companies (Cost Records and Audit) Rules, 2014, gives quantitative information and abridged cost statement for services in the Service Sector.
- (2) **(B) Utilities Cost**  
CAS 8 deals with the Cost Accounting Standard on cost of utilities.
- (3) **(A) Direct Material Cost**  
As per the GACAP, Direct Materials Cost includes cost of procurement and freight inwards of the materials.
- (4) **(C) All listed companies and those prescribed under the Companies (Meetings of Board and its Powers) Rules only**  
The Rule covers all listed companies, public companies having capital of ₹10 crore and more, annual turnover of ₹100 crore and more, outstanding deposits, loans and borrowings of ₹50 crore or more.
- (5) **(B) Cost Audit Documentation**  
The Cost Auditing Standard 102 is to provide guidance to the members in the preparation of audit documentation in the context of the audit of cost statements, records and other related documents.
- (6) **(C) at 110% of cost of production of such goods**  
Liability of Excise Duty arises as soon as the goods covered under the Excise Duty are manufactured but the Excise Duty is collected at the time of removal or clearance from the place of manufacture even for captive consumption.
- (7) **(B) 76%**  
Available capacity =  $300 \times (8-0.5) \times 3 \times 700 = 47.25$  lakh units  
Actual Capacity Utilization % =  $35.91/47.25 = 76\%$
- (8) **(D) All the above**  
The objective of Propriety Audit is that public money is not spent for the benefit of a particular person. Public officer should exercise same vigilance as in respect of expenditure of his/her own money and no authority should pass an order which will be directly or indirectly to its own advantage
- (9) **(D) Selling and Distribution Overheads Cost**  
CAS 15 deals with the principles and methods of classification, measurement and assignment of Selling and Distribution Overheads, for determination of the cost of sales of product or service, and the presentation and disclosure in cost statements.
- (10) **(C) Cost Auditing Standard 103**  
Cost Auditing Standard 103 deals with the overall objectives of the independent cost auditor, the nature and scope of a cost audit and independent auditor's overall responsibilities when conducting an audit of cost statements in accordance with cost auditing standards. It also explains the requirements establishing the general responsibilities of the independent auditor applicable in all audits, including the obligation to comply with the cost auditing standards.
- (11) **(C) a company working in a Special Economic Zone**  
As per Rule 4(3) (ii) of the Companies (Cost Records and Audit) Rules 2014 such units would be outside the purview of cost audit.



- (12) **(B) 796**  
(Sales 1250 + Export Incentive 85 + Adj of Finished stock 95) - (Materials 634) = ₹796 Lakh.
- (13) **(D) 1,27,000**  
[direct expenses as per CAS 10 = royalty paid on production + Job charges + Special Design Charges + Software development charges related to production + Travelling abroad for training = ₹ (35,000 + 20,000 + 20,000 + 27,000 + 25,000) = ₹1,27,000 ]
- (14) **(C) Risk Identification, Process Improvement**  
The objective is to assist the organization in performing functions more effectively and economically with focus on efficiency and effectiveness of operations, giving an early warning system for detection of potentially destructive problems.
- (15) **(B) Excluded**  
Penalty paid to PF authorities is not normal cost and hence is excluded as per CAS 7 from employee cost.
- (16) **(D) Notional interest on capital**  
This does not involve actual outlay of funds but is included in cost records as an opportunity cost to determine product cost. The other three items are not related to actual production and this do not form part of cost records.
- (17) **(C) Productivity**  
The Productivity audit is basically an analysis of the productivity of the resources deployed by any organization. It is generally done to generate information about the status of productivity in the organization for the purpose of determining the scale of efficiency and effectiveness of "resource utilization".
- (18) **(D) In the opinion of the Council, he/she brings disrepute to the Profession or the Institute as a result of his/her action whether or not related to his/her professional work.**  
Bringing disrepute to the profession or the institute is not considered a misconduct as per the Second Schedule of the CWA Act 1959. It is a misconduct as per the First Schedule, Part IV of the Act.
- (19) **(A) CRA-4**  
Pursuant to Section 148 (6) of the Companies Act, 2013, and Rule 6 (6) of the Companies (Cost Records and Audit) Rules, 2014, the Cost Audit Report is to be filed in Form CRA-4 with the Central Government.
- (20) **(C) Overburden Removal Cost**  
Cost Accounting Standard (CAS) 23 is issued by the Council of The Institute of Cost Accountants of India on "Overburden Removal Cost". It is applicable from 1st April, 2017.
- (21) **(A) Inherent Risk and Control Risk**  
As per the Cost Auditing Standard (CAS-101) on Planning an Audit of Cost Statements, the risk of material misstatement has two components, viz., Inherent Risk and Control Risk.
- (22) **(A) Audited Financial Data**  
As per part D, para 3 of the Companies (Cost Records and Audit) Rules, 2014, Value Addition and Distribution of Earnings are to be computed based on Audited Financial Accounts.
- (23) **(C) Social Audit**  
Social Audit is generally defined to be the audit of data or information depicting social performance of a business in contrast to its normal economic performance as measured in financial audit. A lot of research and experimentation have been conducted to devise techniques or models, which can measure the contribution of an enterprise to the Society.
- (24) **(D) Expresses his/her opinion on cost or pricing statements of any business or enterprise in which, he/she, his/her firm or a partner in his/her firm has substantial interest.**  
As per the Second Schedule Part 1 of the Cost and Works Accountants Act, 1959, a Cost Accountant in Practice shall be deemed to be guilty of Professional Misconduct,

if he/she expresses his/her opinion on cost or pricing statements of any business or enterprise in which, he/she, his/her firm or a partner in his/her firm has substantial interest.

All the other options are Professional Misconduct as per the First Schedule of The Cost and Works Accountants Act, 1959 in relation to the Cost Accountants in Practice.

**(25) (B) Administrative Overheads**

As per the Generally Accepted Cost Accounting Principles (GACAP), Remuneration of the non-Executive Directors will not be considered as part of Employee Costs but will be treated as part of Administrative Overheads.

**(26) (C) Stripping Activity**

As per the Cost Accounting Standard on Overburden Removal Cost, the Stripping Activity refers to the activity of overburden removal that benefits the identified component of an ore to be mined by the entity

**(27) (A) Enables**

**(28) (C) Assessing**

**(29) (D) Functions**

**(30) (A) Accrual**

**(31) (C) Cost of production**

**(32) (C) Cannot be**

**(33) (A) CRA-3**

**(34) (B) CRA1**

Pursuant to Rule 5(1) of the Companies (Cost Records and Audit) Rules, 2014.

**(35) (A) Regulated**

As per Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 Table (A)

**(36) (B) 1965**

**(37) (D) Section 469 and 148**

**(38) (D) All the above**

**(39) (B) 1965**

**(40) (A) MSME**

**(41) (A) Form – 3**

**(42) (B) Form – 4**

**(43) (B) Aluminium**

**(44) (A) At the end of immediately preceding financial year**

**(45) (B) 180 days**

**(46) (B) 01.04.2014**

**(47) (D) Abridge Cost Statement**

**(48) (A) Administrative Overhead**

This standard deals with the principles and methods of classification, measurement and assignment of administrative overheads, for determination of the Cost of product or service, and the presentation and disclosure in cost statements.

**(49) (A) Equalized cost of transportation**

The objective of the standard is to bring uniformity in the application of principles and methods used in the determination of averaged/ equalized transportation cost.

**(50) (C) Date of Transaction**

This is as per CAS 6 and GACAP

**(51) (A) Will Not**

**(52) (A) Installed Capacity**

**(53) (A) Royalty and Technical Knowhow fee**

**(54) (C) Guide the members to make planning for the audit of cost statement**

**(55) (B) Detection risk**

**(56) (A) Auditors responsibility**

**(57) (A) Quality control**

**(58) (C) CAASB**

**(59) (D) CAS- 101**

**(60) (A) To have knowledge of the clients business**

**(61) (B) Have adequate level of understanding of the knowledge of business**

(62) (D) Responsibility

(63) (A) Responsible

(64) (B) Machine downtime ratio

It is a ratio which indicates the efficiency and productivity of a machine. So, it is a key performance indicator to measure performance of a machine

(65) (D) All of the above

The KPIs could be:

(A) Quantitative – these can be financial or non-financial

(B) Qualitative – these are often lead indicators i.e. they influence future performance

(C) Actionable – those which can be influenced by enterprise actions or controllable

(D) Trending – those which need to be assessed over a period of time to observe whether they are improving or not

(66) (C) Impact of IFRS on the Cost Structure

The Report on Performance Analysis may include the following.

(i) Manpower Analysis

(ii) Impact of IFRS on the Cost Structure, Cash-Flows and Profitability

(iii) Application of Management Accounting Tools etc

(67) (D) All of the above

The basic objective to prepare a Report on Performance Analysis is to provide an actionable insight into costs and profitability for the management in the strategic and operational context. It aims at discovering various drivers of costs and profitability and their impact on the selected performance variables. It would help the organizations:

❖ To improve profits and profitability

❖ To optimize resource allocation

To optimize the product and services portfolio

(68) (C) Total performance management

Performance Prism is a management accounting tool which is used to measure total performance of organization.

(69) (A) Cost Reduction Tool

(70) (A) Appraising

(71) (B) Non-routine investigation

(72) (A) Suggest improvement in methods of operations

(73) (C) Does not concentrate

(74) (B) Problem identification

Management Audit pinpoints the areas requiring attention of management, it evaluates the existence of well defined objectives, it seeks to review appraise and evaluate the corporate plans and policies based on certain standards of objectivity.

(75) (A) optimum

The main purpose of Efficiency Audit is to ensure —

❖ That every rupee invested in capital or in other fields give optimum returns, and

❖ The balancing investment between different functions and aspects designed to give optimum results.

(76) (A) The statement is true

A Management Auditor has to rely more on his experience and acumen to identify areas of review.

(77) (B) Social Audit

Consumer Service Audit is an audit of public responsibility of business enterprise in relation to its customers and is a part of social audit. The audit is based on the philosophy that the role of business should be conducive to raising the quality of life through its contribution in terms of better product-quality and services.

(78) (D) Management of Concern

Management audit undertakes examination of the effectiveness of management in controlling the total activities of the organization in the accomplishment of the organization objectives.

(79) (A) his experience and acumen

A Management Auditor has to rely more on his experience and acumen to identify areas of review. There are no fixed items of evidence to be checked by Management Auditor

**(80) (B) Three separate parties**

The parties are a public accountant in practice, a responsible party and intended users

**(81) (B) Peter (A) Phyrh**

Zero base budget (ZBB) System was modeled by Peter (A) Phyrh

**(82) (D) SWOT analysis**

A SWOT - strengths, weaknesses, opportunities and threats analysis can help identify and understand key issues affecting the business

**(83) (A) T. G. Rose**

T. G. Rose developed the concept of Management Audit as a logical system of evaluating the quality of Management

**(84) (D) All of the above**

Internal control system can be classified in three types Preventive Control, Detective Control and Corrective Control

**(85) (D) All of the above**

AS per Section 138 of the Companies Act , 2013 an internal auditor, shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

**(86) (A) Section 138**

Section 138 of the Companies Act 2013 deals with provisions of Internal Audit

**(87) (C) Government Expenditure**

Audit of Government Expenditure is one of the major components of government audit conducted by the office of C & AG

**(88) (D) Both (A) and (B)**

Internal audit is a management tool performed by employees of the organization or external agencies specially assigned for this purpose

**(89) (D) All of the above**

Non-Governmental Organizations (NGO) are generally incorporated as societies under the Societies Registration, Act, 1860 or as a trust under the India Trust Act, 1882, or under any other law corresponding to these Acts enforced in any part of Indi(A) NGO's can also be incorporated as a company under section 8 of the Companies Act, 2013

**(90) (D) All of the above**

Yes, the management auditor shall consider the following points in the evaluation and measurement of capacity utilization

**(91) (D) All of the above**

According to 'Technical Guide on Internal Auditing' by The Institute of Cost Accountants of India, Internal Auditor should have following three traits:

- Technical Expertise
- Right Attitude
- Communication and other soft skills.

An Internal Audit team has to have representation from diverse professional fields in order to understand the organization better.

**(92) (D) All of the above**

An audit of or for a government agency is composed of three elements are as under

1. Financial compliance,
2. Economy and efficiency, and
3. Program results.

The typical definition of a financial audit would not include elements 2 and 3. These are operational auditing techniques.

**(93) (D) All of the above**

The following aspects may be taken into consideration for proper inventory control –

1. Maximum, minimum and reorder level fixation
  2. VED analysis
  3. Just-in time (JIT) purchasing
  4. Fast moving, slow moving and non-moving analysis.
- (94) **(B) A continuous activity**  
Internal Audit is a continuous and systematic process of examining and reporting the operations and records of a concern.
- (95) **(B) The Statement is Incorrect**  
Audit working papers are the record of the planning and execution of the audit engagement.  
Auditors retain a set of working papers for each audit engagement for each year.
- (96) **(B) Section 17(2) of the Cooperative Societies Act, 1912**  
Section 17 (2) of the Co-operative Societies Act, 1912 specifically requires the auditor to conduct an examination of the overdue debts, if any, and a valuation of the assets and liabilities of the society.
- (97) **(C) Self-Help Group**  
Field Balance Sheet Approach to audit can be applied in case of audit of the Self-Help Group. The auditor prepares the Field Balance Sheet for the group, as on the date of the audit, based on the SHG's internal records and then cross checks the correctness of balance sheet items. The primary objective is to ascertain the retained earnings of the SHG.
- (98) **(D) All of the above**  
Under 'propriety audit', the auditors try to bring out cases of improper, avoidable, or in fructuous expenditure even though the expenditure has been incurred in conformity with the existing rules and regulations
- (99) **(A) Article 243Z of the Constitution**  
Article 243J of the Constitution states that the Legislature of a State may, by law, make provisions with respect to the maintenance of accounts by the Panchayats and the auditing of such accounts.  
Article 243Z of the Constitution states about the audit of accounts of Municipalities. The Legislature of a State may, by law, make provisions with respect to the maintenance of accounts by the Municipalities and the auditing of such accounts
- (100) **(A) Check the letter of appointment**  
Check the letter of appointment to ascertain the scope of responsibilities.
- (101) **(C) C&AG**  
The auditor of a government company is appointed by the C&AG
- (102) **(B) 143 of the Companies Act, 2013**  
The C&AG have powers under section 143 of the Companies Act, 2013 as follows:  
To direct the manner in which the 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 such
- (103) **(D) All of the above**  
Financial Administration of Local Bodies has three components Budgetary Procedure, Expenditure Control and Accounting System
- (104) **(B) Section 8 of the Companies Act, 2013**  
Non-Governmental Organisations are generally incorporated as societies under the Societies Registration, Act, 1860 or as a trust under the India Trust Act, 1882, or under any other law corresponding to these Acts enforced in any part of Indi(A) NGO's can also be incorporated as a company under section 8 of the Companies Act, 2013
- (105) **(B) Three**  
The government also engages in commercial activities and for the purpose it may incorporate following types of entities:  
(A) Departmental enterprises engaged in commercial and trading operations.  
(B) Statutory corporations created by specific statues such as LIC, Air India, etc  
(C) Government companies, set up under the Companies Act, 2013
- (106) **(C) Expenses Ratio**

Expenses Ratio is a profitability ratio with respect to sales. It is a ratio of a particular expense to sales.

- (107) **(B) Debt Equity ratio**  
Debt Equity ratio represent the long term solvency position of an entity. It is a ratio of debt to equity representing ratio of debt in capital structure
- (108) **(D) Broadband internet services**  
The term 'Utilities' refer to significant inputs such as power, steam, water, compressed air and the like which are used for manufacturing process but do not form part of the final product.
- (109) **(D) Administrative overheads that do not contribute to bringing inventories to their present location and condition**  
Costs that are excluded from inventory valuation Certain costs are excluded in valuing inventory are:-  
❖ Abnormal amounts of wasted materials, labor, or other production costs  
❖ Storage costs unless they are essential to the production process  
Administrative overheads that do not contribute to bringing inventories to their present location and condition etc
- (110) **(B) Notional Interest on Capital**  
Any Notional Costs are appeared only in cost accounts but not entered in financial accounts as actual outlay has not occurred
- (111) **(B) ₹89000**  
Direct expenses = Royalty paid on sales + Royalty on unites produced + Hire charges on equipment + Design Charges + Software development charges = ₹(30000 + 20000 + 2000 + 15000 + 22000) = ₹89000.
- (112) **(B) 29.41 %**  
Networth = Capital + Reserves - Revaluation reserve (if any) - accumulated losses (if any) - deferred expenditure (if any) - misc expenditure not written off (if any)  
Networth = ₹1500 + ₹696 - ₹360 = ₹1836, Total Earning = ₹900 - ₹360 = ₹540  
Return on Networth = ₹540 / ₹1836 = 29.41%
- (113) **(B) ₹59000**  
Direct expenses = Royalty paid on units produced+ Hire Charges of equipment used for production+ Design charges + Software development charges related to production = 20000 + 2000 + 15000 + 22000 = 59000/-
- (114) **(B) 725.27 Kg**  
Output at Ring Frame  
= 1000 × (100-92)% × (100-94)% × (100-96)% × (100-96)% × (100-91)%  
= 725.27 kgs
- (115) **(B) ₹6617 Lac**  
Value Addition = Gross sales less Excise Duty Add Increase in stock less Cost of Raw materials less  
Power less Other Overheads = 16500 – 1240 + 42 - 6250 - 2220 - 215 lac = 6617 lac
- (116) **(B) Application of Cost Audit**  
Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 prescribes the turnover based threshold limits for applicability of Cost Audit.
- (117) **(C) Costing Profit and Loss Account**  
Rule 5(1) prescribes that any abnormal cost/loss should not be part of Material, Administrative or Selling and Distribution overheads or any other item of cost.
- (118) **(C) XML family of languages**  
XBRL belongs to Extensible Markup Language family. It has been defined specifically to meet requirements of business and financial information
- (119) **(B) Manufacturing Sector**  
This is as per Companies(Cost Records and Audit) Rules, 2014
- (120) **(B) Pollution Control Cost**

This standard deals with the principles and methods of classification, measurement and assignment of pollution control costs, for determination of Cost of product or service, and the presentation and disclosure in cost statements

- (121) **(C) Interest**  
Operating expenses typically exclude interest expense, nonrecurring items (such as accounting adjustments, legal judgments, or one-time transactions), and other income statement items not directly related to a company's core business operations
- (122) **(B) Cost of Sale**  
This is as per CAS 5
- (123) **(C) Appointment of Cost Auditor**  
According to Rule 6(1) , the category of companies specified in Rule 3 and the thresholds limits laid down in Rule 4, shall within one hundred and eighty days of the commencement of every financial year, appoint a cost auditor.  
Provided that before such appointment is made, the written consent of the cost auditor to such appointment, and a certificate from him or it, as provided in sub-rule (1A), shall be obtained
- (124) **(D) Part D**  
Pursuant to Rule 6(4) of the Companies (Cost Records and Audit ) Rules, 2014
- (125) **(C) 30**  
Pursuant to Rule 6(3A) of the Companies (Cost Records and Audit) Rules, 2014
- (126) **(C) ₹35**  
Pursuant to Rule 3 of the Companies (Cost Records and Audit) Rules, 2014
- (127) **(A) discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client, or otherwise than as required by any law for the time being in force**  
It is a misconduct as per the Second Schedule, Part I of the CWA Act, 1959
- (128) **(C) Packing Material Cost**  
This standard deals with the principles and methods of determining the Packing Material Cost
- (129) **(B) Micro**  
The objective of operational audit is to appraise the effectiveness and efficiency of a division, activity, or operation of the entity in meeting organizational goals
- (130) **(C) 75%**  
The requirement of Cost Audit under these rules shall not apply to companies whose revenue from exports in foreign exchange exceed 75% of total revenue and companies operating in special economic zone
- (131) **(A) Mapping**  
This is as per XBRL glossary. Several technical terms are used, that have specific meanings, in the context of using XBRL
- (132) **(C) The Secretary and one Director of the company**  
Annexure to the Cost Audit Report in CRA 3 shall be approved by the Board of Directors and by signed by the Company Secretary and a Director authorized by the Board before submission to the Auditor for Report
- (133) **(C) Factory overheads**  
As per CAS 8, the cost of self-generated utilities for own consumption shall comprise direct material cost, direct employee cost, direct expenses and factory overheads
- (134) **(C) 10 years**  
CAS 16 on depreciation and amortization states that useful life of an intangible asset shall not exceed 10 years from the date it is available for use
- (135) **(B) Cost Auditing Standard 102**  
CAS 102 deals with Cost Audit Documentation
- (136) **(C) For a term exceeding 6 months**  
Part III of the Second Schedule to the Cost & Works Accountants of India Act, 1959 finds a member guilty of other misconduct if he/she is held guilty by a court for offences punishable with imprisonment for a term exceeding 6 months
- (137) **(A) Dictionary**

Cost Taxonomy is a Dictionary of all cost elements required in the Cost Audit Report and Compliance Report

- (138) **(C) Profit before Tax to Value Added**  
This is one of the four ratios identified as Profitability Ratios in Part D of Annexure to the Cost Audit Report
- (139) **(D) Treatment of Revenue in Cost Statements**  
Effective from 1st April, 2017, CAS 24 on Treatment of Revenue in Cost Statements has become applicable
- (140) **(B) applicable for Table A products only**  
Rule 4 to Companies (Cost Audit & Records) Rules, 2014 states that if the overall turnover of the company is more than ₹100 crore, only products of Table A will be covered if the sum total of all the products of the company covered under Table A and Table B is more than ₹25 crore but less than ₹35 crore
- (141) **(B) excluded from**  
CAS 7 on Cost Accounting Standard on Employee Cost excludes benefits paid or payable for the services rendered by employees of any contractor engaged in the organization
- (142) **(B) 120%**  
Efficiency Ratio = Actual output (576 units)/ Standard output (12000 hours/25 hours = 480 units); therefore, Efficiency ratio = 576/480 = 1.20 or 120%
- (143) **(B) unregulated sector**  
Machinery used in defense, space and atomic energy sector and fulfilling turnover criteria is under Unregulated sector
- (144) **(D) documentation of audit of cost statements, records etc**  
The purpose of the Cost Auditing Standard 102 is to provide guidance to the members in the preparation of audit documentation in the context of the audit of cost statements, records and other related documents
- (145) **(D) self/captive consumption of each product**  
The abridged cost statement need not be separate for Self/Captive Consumption of each product
- (146) **(D) studying all the above**  
The Management Auditor should evaluate MIS of an organization after studying content, quality and source of information, studying Flow of information, studying correlation of information in decision areas
- (147) **(D) To examine the Trust Deed or Regulations**  
The Trust Deed or Regulation is the basic document on which the composition of the educational institution is framed
- (148) **(B) 94.815 lakh units**  
As per CAS 2, normal capacity is maximum productive capacity reduced by time lost on preventive maintenance, holidays, Set up delays. Here, Normal capacity =  $(365 - 52 - 12) \times (8 - 1) \times 3 \times 1500 = 94.815$  lakh unit
- (149) **(B) 30.09.2019, on expiry of six months from close of accounts**  
As per Rules, 2014, the Cost Auditor, unless removed or resigned from office, shall continue till expiry of 180 days from closure of financial year or till he submits the cost audit report. Here his submission of the report did not go beyond six months from closure of financial year
- (150) **(B) Operating Cycle of Materials turnover**  
Key Performance indicator of manufacturing is the Operating cycle of Material, WIP, Finished Goods Turnover
- (151) **(C) An appraise management of business enterprise of responsibility towards consumers**  
The audit is based on the philosophy that the role of business should be conducive to raising the quality of life through its contribution in terms of better product-quality and services by making available the products and services of the right qualities at the right time, in right quantity, at the right place and right price
- (152) **(D) Either or all of the above**



This is as per clause 76 section 2 of the Companies Act 2013

**(153) (B) pre-scrutinize the validated instance document**

Reason will be: Once the instance document is successfully validated from the tool, the next step is to pre-scrutinize the validated instance document with the help of the same tool using a working internet connection. In the Pre-scrutiny, the server side validations shall be performed, using the MCA21 data base

**(154) (B) The Energy Conservation Act, 2001**

The Bureau is established by merging Energy Management Centre and controls energy conservation. Alternative Reason: The Bureau of Energy Efficiency formed under the Energy Conservation Act 2001. The agency's function is to develop programs which will increase the conservation and efficient use of energy in India

**(155) (D) Cost Auditing Standard 104**

The Audit Standard 104 deals with knowledge of Business, its processes and Business Environment, which includes knowledge on the Entity's Internal Control

**(156) (A) Part D para 2 of the Annexure to Cost Audit Report**

This is pursuant to Rule 6(4) of the Companies (Cost Records and Audit) Rules

**(157) (D) ₹85,000**

Direct expenses = Royalty paid on units produced + Hire Charges of equipment used for production + Design charges + Software development charges related to production

$$= 25,000 + 20,000 + 18,000 + 22,000 = 85,000$$

# Notes

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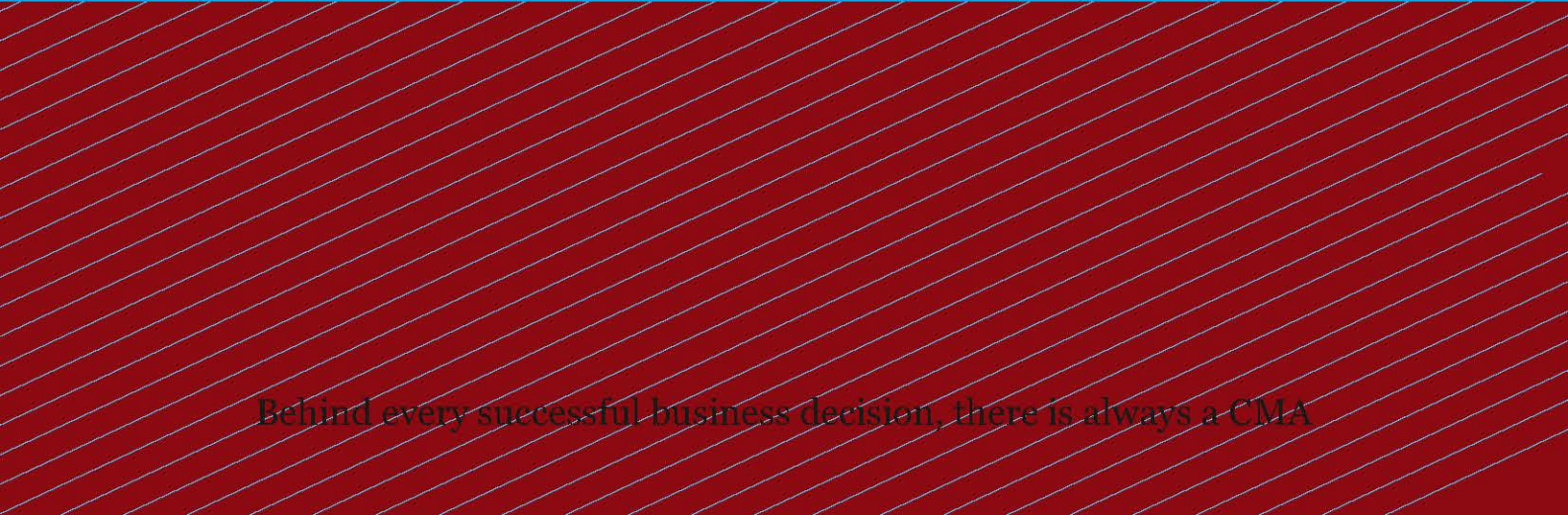
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Behind every successful business decision, there is always a CMA



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