

Paper – 19: Cost and Management Audit

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Full Marks: 100

Time allowed: 3 hours

Section A- Cost Audit (35 marks)

Answer Question 1 and any 2 from rest of Section A.

1. (i) CAS 11 deals in:
- (A) Administrative Overheads.
 - (B) Factory Overheads.
 - (C) Selling and Distribution Overheads.
 - (D) Financial Costs.
- (ii) Under Part D of the Annexure to the Cost Audit Report, information regarding Value Addition (for company as a whole) to be furnished for:
- (A) Previous year only.
 - (B) Current year and previous 2 years.
 - (C) Current year and previous year.
 - (D) Previous three years.
- (iii) A Cost Auditor should 'qualify ' the Cost Audit Report where:
- (A) He is unable to form an opinion due to non availability of appropriate records/data.
 - (B) He finds that items in the cost statements are mistated.
 - (C) None of the above.
 - (D) Both of the above.
- (iv) Part C of the annexure to Cost Audit Report provides Quantitative information related to:
- (A) Manufacturing Sector
 - (B) Service Sector
 - (C) None of the above
 - (D) Both of the above
- (v) 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. [5]
2. (A) Define Cost Audit, How it is useful:
- I) To the Management
 - II) To the Society
 - III) To the Shareholders, and
 - IV) To the Government?
- (B) Answer the following questions with reference to CAS 13.
- a) How do you define a service cost centre?
 - b) How is cost computed if service is provided in-house?
 - c) How is cost computed if service is provided by contractors?
 - d) How will cost of production and distribution of service be determined? [8+7]

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3. (A) Answer the following questions with respect to Cost Auditing Standards(101).
(a) What is the objective of the standard?
(b) What is Audit plan?
(c) What is Audit risk?
- (B) Answer the following questions with reference to the Companies(Cost Records and Audit) Rules, 2014.
(a) Which Companies are required to maintain Cost Records?
(b) What is the meaning of "Turnover" in relation to the Companies (Cost Records and Audit) Rules, 2014?
(c) A company has units in SEZ and in non-SEZ areas. The Companies (Cost Records and Audit) Rules 2014 has exempted companies operating in special economic zones from cost audit. What would be applicability of the Companies (Cost Records and Audit) Rules 2014 on such a company in respect of maintenance of cost accounting records and cost audit? **[7+8]**
4. (A) Explain whether the following amounts to professional misconduct by a Cost Accountant:
i) P , a practicing CMA Q is a practicing Advocate representing matters in courts of law. P and Q agree to help each other in matters involving their professional expertise. Accordingly P recommends Q in all tax litigations in courts of law. Q consults P on all matters relating to costing and related matters, which come to him for arguing in various courts of law. They agree to 'share' the remuneration.
ii) R, a CMA , certifies a financial forecast of his client which was forwarded to the client's bank based on which the bank sanctioned a loan to the client.
- (B) i) What is XBRL?
ii) What are the potential uses of XBRL?
What is the benefit of having cost related data in XBRL format? **[8+7]**

Section B- Management Audit (15 marks)

Answer any one question from Section B

5. (A) Mr . X , newly appointed CEO of ABC Ltd. engages you as a Management Auditor to give him a factual report , as to causes of demoralization of his staff .
(B) How should a Cost Auditor evaluate MIS of an organization? **[9+6]**
6. (A) What do you understand by 'energy audit'? Briefly state the functions of energy auditor.
(B) The term 'image' in relation to a company refers to how it is perceived by the public at large .Keeping this in mind how would a management auditor approach to evaluate the corporate image of accompany? Discuss the techniques available to the management auditor to evaluate the corporate image. **[5+10]**

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Section C – Internal Audit, Operational Audit and other related issues (25 marks)

Answer any 2 questions from Section C

7. Draft an internal control questionnaire for 'Account Receivables'. **[12.5]**
8. " Much good work gets lost because the auditor's report fails to evoke the interest of the reader". Discuss the above statement in the context of the report of the operational auditor. **[12.5]**
9. You have been appointed as Internal Auditor of FBG Ltd. a Non-Banking Equipment Leasing Finance Company. What are the special points would you keep in mind in the audit of a Non-Banking Equipment Leasing Finance Company? **[12.5]**

Section D- Case Study on Performance Analysis. (25 marks)

Answer any two questions from this section.

10. Capacity utilization depends on various factors like hours, the plant worked, efficiency with which it worked, quality of input materials etc. In the context of this statement, please give your comments on the following data relating to a chemical plant and a sugar mill.

| | | For the year 2015-16 | |
|------|---|----------------------|-----------|
| (i) | Chemical Plant: | Budgeted | Actual |
| | Production (KL) | 18,00,000 | 13,50,000 |
| | Vessel occupancy | 7,200 | 6,000 |
| (ii) | Sugar Mill: | 2013-14 | 2012-13 |
| | Installed Capacity: Tonnes of cane crushing per day (TCD) | 5,000 | 4,000 |
| | Duration of the season (days) | 240 | 250 |
| | Cane crushed (MT) | 10,20,000 | 8,00,000 |
| | Sugar production (MT) | 1,22,500 | 79,300 |

[12.5]

11. You are the Cost Auditor of PP Jute Mills Ltd. for the year ended March 31, 2016. The company had a strike from 15.9.2015. Although the company resumed working from 18.11.2015, normal production was achieved only from 12.12.2015. The expenses incurred during the year ended March 31, 2016 were:

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(Amount in ₹ lakh)

| | |
|-------------------------------|-----|
| Salaries and wages (Direct) | 450 |
| Salaries and wages (Indirect) | 220 |
| Power (Variable) | 160 |
| Depreciation | 140 |
| Other fixed expenses | 260 |

Detailed examination of the records revealed that of the above, the following relate to the period 15.9.2015 to 17.11.2015:

(Amount in ₹ lakh)

| | |
|--------------------------------|-----|
| Salaries & wages (Indirect) | 80 |
| Depreciation (Non- productive) | 60 |
| Other fixed expenses | 110 |

As a Cost Auditor you are requested to calculate abnormal cost which will be excluded from the product cost. **[12.5]**

- 12. (a)** What are 'waste multipliers' in textile costing? The following are the process wise wastages on inputs in the year 2015-16.

| Process | % age of Wastages on Input |
|----------------------|----------------------------|
| Blow Room | 9.18 |
| Carding | 7.17 |
| Drawing | 1.10 |
| Roving(Simplex) | 0.30 |
| Ring Frame(Spinning) | 7.21 |
| Reeling and Winding | 1.50 |

From the above , calculate the process wise waste multiplier factor.

- (b)** ABC Stores is a departmental store, which sell goods on retail basis. It makes a gross profit of 20% on net sales. The following figures for the year-end are available: Opening Stock ₹50,000 Purchases ₹ 3,60,000 Purchase Returns ₹10,000 Freight Inwards ₹ 10,000 Gross Sales ₹ 4,50,000 Sales Returns ₹ 11,250 Carriage Outwards ₹ 5,000. Calculate the estimated cost of the inventory on the closing date.

[7.5+5]