



## POSTAL TEST PAPER

FINAL

SYLLABUS 2022

PAPER - 17

COST AND MANAGEMENT AUDIT

**Time Allowed: 3 Hours**

**Full Marks: 100**

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

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

### GROUP – A : Cost Audit [50 Marks]

#### SECTION – A

**Question No. 1 and 5 are compulsory and answer any two from Question No. 2, 3 & 4.**

**1. (a) Choose the most appropriate answer to the following questions with justification. 1 mark will be awarded for correct answer and 1 mark for justification. [5×2= 10]**

- i. Govt. of India has issued order with respect to introduction of mandatory Cost Audit of Cost Records maintained by the Companies in the year .
  - a. 2008
  - b. 2009
  - c. 2011
  - d. 2014
- ii. 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
- iii. Idle capacity is the difference between .
  - a. Installed capacity and Actual Capacity Utilisation
  - b. Installed capacity and Normal Capacity
  - c. Abnormal Idle capacity and Normal Capacity
  - d. Installed capacity and Normal Capacity
- iv. The material purchase value arrived at ₹ 1,65,800.00 after adjustment of freight ₹12,400.00, taxes ₹ 17,200.00, trade discount received ₹ 3,600.00, Detention Charges ₹ 4,400.00, Subsidy received ₹ 15,200.00 and Cash Discount received ₹ 5,400. Find the value of Material Cost as per CAS-6.
  - a. ₹ 1,81,100.00
  - b. ₹ 1,60,400.00



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- c. ₹ 1,66,800.00  
d. ₹ 1,72,200.00
- v. 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

### SECTION – B

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

Year ended 31st March	2023	2022
	(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



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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, 2022 and March 31, 2021:

- (i) Value Addition
- (ii) Earnings available for Distribution
- (iii) Distribution of Earnings to the different claimants. [12]

(b) M/s. Alpha Pvt. Ltd. furnishes the following information in regard to the immediately preceding Financial Year:

Turnover of Table A Products under Rule 3 is ₹ 20 crore Turnover of Table B Products under Rule 3 is ₹ 22 crore Turnover of other products is ₹ 63 crore

Find out the applicability of:

- (i) Cost Records under Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 (as amended)
- (ii) Cost Audit under Rule 4 of the Companies (Cost Records and Audit) Rules, 2014 (as amended) [4]

3. (a) Burnet Ltd., a manufacturing unit, provides the following extracts from its records for the year ended March 31, 2023:

The Company's specifications capacity for a machine per hour	1,500 units
No. of shifts (each shift of 8 hours) per day	3 shifts
Paid Holidays in a year (365 days):	
Sunday	52 days
Other holidays	12 days
Annual maintenance is done within these holidays	—
Preventive weekly maintenance for the machine is carried on during	
Sundays Normal idle capacity due to lunchtime, shift changes etc. per shift	1 hour
Production based on sales expectancy in past 5 years (units in lakh):	75.70
	87.42
	65.38
	77.97
	76.08
Actual Production for the year (units in lakh)	81.50

You are required to calculate:

- (i) Installed Capacity
  - (ii) Practical Capacity
  - (iii) Actual Capacity (%)
  - (iv) Normal Capacity
  - (v) Idle Capacity (%)
  - (vi) Abnormal Capacity
- Keeping in view of the relevant Cost Accounting Standard (CAS-2). [10]



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(b) Write note on Secondary Packing Material and its treatment as per CAS-9? [6]

4. (a) Ambica Textile Mills produced cloth and fabrics. In addition, they undertook customer's job order for processing of cloth towards optimum utilisation of its spare capacity and earned from loan licence. From the following Income figures.

Find out the turnover of the company as per the Companies (Cost Records and Audit) Rules:

Income	(₹ in lakh)
Sales	19,300
Trading Sales from Depots	1,250
Export Income	2,100
Export Duty	450
Income from Job Processing	1,100
Scrap Sale	235
Income from Loan Licence operations	560

[6]

- (b) The financial profit and loss account for the year 2022-23 of a company shows a net profit of ₹ 29,60,000. During the course of Cost Audit, it was noticed that:

- The company was engaged in trading activity by purchasing goods at ₹ 6,00,000 and selling it for ₹ 7,50,000 after incurring repacking cost of ₹ 25,000,
- Some discarded assets sold off with no scrap value for ₹ 90,000,
- Some renovation of machinery was carried out at a cost of ₹ 6,00,000, having a productive life of five years, but entire amount was charged to financial accounts
- Interest was received amounting to ₹ 1,40,000 from outside investments
- Voluntary Retirement payment of ₹ 3,50,000 was not included in the Cost Accounts,
- Insurance claim of previous year was received to the extent of ₹ 2,50,000 but was not considered in the Cost Accounts.
- Opening stock or raw materials and finished goods was overvalued by ₹ 2,40,000 and closing stock of finished goods was overvalued by ₹ 1,10,000 in the financial accounts, and
- Donation of ₹ 80,000 towards CSR commitment was not considered in the Cost Accounts.

Work out the profit as per the Cost Accounts and briefly explain the adjustment, if any, carried out.

[10]



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### SECTION – C

5. ABC a public limited company manufacturing product comes under Non-Regulated Sector and classified products under CTA. The total Turnover of the Company for the financial year 2022-23 is ₹159.00 Crores as per details below.

Sr. No.	CTA Heading	Additional Details	Turnover (₹/Crores)
1.	7401	Waste & Scrap	46
2.	7405	PRODUCT(s) Manufactured	57
3.	7406	By Product	56
<b>TOTAL</b>			159

The company seeks your opinion whether the provisions of maintenance of cost records and audit there of applicable particularly in view of turnover of all the product group individually is below the ₹ 100.00 crores. [8]

### GROUP – B : Management Audit; Internal Audit, Forensic Audit and Anti-Money Laundering [50 Marks]

Question No. 6 and 10 are compulsory and answer any two from Question No. 7, 8 & 9.

### SECTION – A

6. Choose the most appropriate answer to the following questions with brief justification for the selection. [5×2=10]
- Several checks & controls exercised in a business to ensure its efficient working is known as:
    - Internal check.
    - Internal control.
    - Internal audit.
    - Interim check.
  - Which of the following is not likely to be a fraud risk factor relating to management characteristics?
    - Tax evasion.
    - Failure to correct known weakness in internal control system.
    - Adoption of conservative accounting principles.
    - High management turnover.
  - In auditing with a computer \_\_\_\_\_.
    - Auditing programs are designed and used to check a system.
    - The hardware of the computer is thoroughly checked for malfunctions.
    - System software is thoroughly checked to ensure error-free operations.
    - Auditors check the system with a computer.



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- iv. The management auditor's work begins
  - a. After the work of a statutory auditor ends
  - b. Before the work of a statutory auditor begins
  - c. Varies from firm to firm
  - d. None of the above
  
- v. 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.

#### SECTION – B

- 7.(a) What do you understand by “Energy Audit”? Briefly state the functions of energy auditor. [8]
  
- (b) What do you understand by Corporate Services Audit? Describe the areas of Corporate Services Audit, the scrutiny thereof and the evaluation criteria used in such audit. [8]
  
- 8.(a) How does the board of directors of the company need to evolve to oversee, enable and support the delivery of our ESG and sustainability strategy? [8]
  
- (b) Briefly explain the company's mission, vision, and values. [8]
  
- 9.(a) Auditors are used to review security controls and policies. What are the pitfalls of inadequate control? implementation and policy definitions? [8]
  
- (b) What do you mean by test pack? State the use of the test pack in IS Audit. [8]

#### SECTION – C

10. M/s XYZ Limited is a company engaged in the real estate and construction business. To build a land bank in various parts of India that were likely to see commercial development and anticipate a future upward trend in land prices in various parts of India. M/s XYZ Limited hired the services of Mr Mahesh to assist in the process of acquisition of lands.
- M/s XYZ Limited issued a detailed offer letter to Mr Mahesh for the purchase of around 100 acres of land at the maximum price of ₹ 10, 00,000 per acre in different parts of India within a period not exceeding five years. The said offer was accepted by Mr Mahesh by a letter of acceptance. Upon exchange of offer and acceptance, a legally binding and valid contract came to be forced between M/s XYZ Limited and Mr Mahesh.
- Mr Mahesh received from M/s XYZ Limited a sum of ₹ 1,000 Crore as a loan/advance for the purchase of lands as specified in the contract between the parties. Mr Mahesh purchased various



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movable and immovable properties with the funds received from M/s XYZ Limited. Since all the funds could not be directly invested in the land as required by the contract, investments were made by Mr Mahesh by himself or through his company in the purchase of immovable property, including land, built-up residential and commercial buildings, etc. and Investment in fixed deposits in name of Mr Mahesh and M/s PQR Limited (95% shareholding by Mr Mahesh) also investment in the movable property including bank balance and few vehicles.

In the meantime, the Directorate of Enforcement initiated Suo-moto proceedings under the Prevention of Money Laundering Act, 2002 (PMLA) and registered a complaint under Sections 3 and 4 of the PMLA and attached the property of Mr Mahesh under the Prevention of Money Laundering Act, 2002.

Given the above, answer the following question:

- (a) Discuss the attachment of property involved in money laundering under PMLA.
- (b) Explain the extent of punishment prescribed under PMLA.
- (c) Discuss Appellate Authority establish under PMLA and what is the time limit to file an appeal.

**[8]**