



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 17**

**SET 2**  
**TERM – JUNE 2023**

**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)** The report post audit of cost records is submitted by the Cost Auditors to:
- Managing Director
  - CFO
  - Audit Committee
  - Board of Directors
- Briefly provide a reason for selection.
- (ii)** The applicability of Cost Audit for regulated industries having an overall annual turnover during the immediate preceding financial year is \_\_\_\_\_.
- ₹ 25 Crore or more
  - ₹ 35 Crore or more
  - ₹ 50 Crore or more
  - ₹ 100 Crore or more
- Provide a justification for your selection.
- (iii)** \_\_\_\_\_ is the susceptibility of an assertion about the measurement, assignment or disclosure of cost to a misstatement that could be material and why?
- Inherent risk
  - Control risk
  - Audit Risk
  - Detection risk



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- (iv) The cost auditor should adopt appropriate procedures for maintaining confidentiality and safe custody of the \_\_\_\_\_ and for retaining them for a desirable period of time. What is the rationale behind such a requirement?
- Working Papers
  - Cost Audit Programme
  - Daily Worksheets
  - All of the above
- (v) Any casual vacancy in the office of a cost auditor, due to resignation or death or removal, shall be filled by the \_\_\_\_\_ within \_\_\_\_\_ days of vacancy and the company shall inform the Central Government in Form \_\_\_\_\_ within thirty days of such appointment of cost auditor.
- Board of Director, 30, CRA-2
  - Shareholders, 30, CRA-2
  - Board of Director, 90, CRA-2
  - Board of Director, 30, CRA-3

**SECTION – B**

**Answer any 2 Questions:**

**[16 × 2 = 32]**

2. (a) State the fundamental principles to be observed by cost and management accountants in order to achieve the primary objectives of the profession. [5]
- (b) (i) 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 Lakhs
Sales	19,300
Trading Sales from Depots	1,250
Export Income	2,100
Export Duty	450
Income from Job Processing	1,100
Scrap Sales	235
Income from Loan License Operations	560



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(ii) Prepare a list of major principles for measuring production or operation management. [7 + 4 = 11]

3. (a) Prepare a list of the major requirements of Cost Auditing Standard-103, Overall Objectives of the Independent Cost Auditor and the Conduct of an Audit in Accordance with Cost Auditing Standards. [9]

(b) Assume that the following information pertains to ABC Cement Ltd., for the year ended on March 31 as follows:

	2022	2021
Rated Capacity per Hour (MT)	80	80
Break down Hours	2,177	1,015
Planned Maintenance (Hours)	247	422
Power restrictions (Hours)	1,237	1,481
Shortfall due to non-availability of orders (Hours)	792	677
Logistics requirement in wagon hours	495	635
Total production stoppage (Hours)	4,948	4,230
Manufacturing hours	3,888	4,582
Total available hours	8,836	8,812
Production during the year (MT)	2,48,844	3,29,928
Hourly Rate of Production (MT)	64	72
Capacity Utilization (%)	62.21	82.48
Annual Installed Capacity (MT)	4,00,000	4,00,000

Based on information stated above, you as a Cost Auditor are required to offer your comments on the following with due justifications:

(i) The performance of the company, and  
(ii) Your suggestion for improvement. [5 + 2 = 7]

4. (a) During the Practical Step of Audit Process - Understanding the Company's Business, the Cost Auditor needs to gather information about the Company and other related details. Critically analyse the statement. [9]

(b) Analyse the elements included in product wise checklist for audit of production and the importance thereof.

[5+2=7]



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**SECTION – C**

**[8 × 1 = 8]**

5. Supreme Industries Ltd. a listed company, is engaged in the business of manufacturing of tyre, tubes and other ancillary products. During the financial year 2022-23, the Company has manufactured six types of products. The details of item manufactured and their turn over is given below. The Company also has its own power plant to support its production process with a capacity of 50 MW (CTA Code-2716). However only 40% of power generated is consumed by the Company and rest 60% of power is sold in open market and the state electricity board. During the year 2022-23 the Company has earned a revenue of is ₹33.00 crore from sale of power.

Sl. No.	Product	CTA Code	Turn Over (₹ in Crore)
1.	Tyres used on motor cycles	4011 4010	43.00
2.	Tyres used on aircraft	4012 13 00	15.00
3.	Conveyor Belts	4010 1990	40.00
4.	Tyres used on forestry Vehicle	4011 7000	27.00
5.	Tyres used on agricultural Vehicle	4011 7000	20.00
6.	Industrial gloves	4015 9030	32.00
<b>Total Turnover</b>			<b>177.00</b>

The CTA code of all the four tyre products used in motor cycles, aircraft, forestry vehicle and agriculture vehicle comes under the Table B of the Rule 3 of Companies (Cost Records and Audit) Rule, 2014. (CCRA, 2014). However, CTA code for Conveyor belts and Industrial gloves is not covered under table B.

As a cost accountant, the managing director of the company seeks your opinion on –

- i. whether the Company is required to maintain cost records with respect to all its product as well as for the captive power generation plant.
- ii. whether the Company is subject to cost audit for all its products and captive power plant.

Please give your opinion with reference to the provisions of the Companies Act, 2013 and Companies (Cost Records and Audit) Rule, 2014 with justifications that you consider necessary. **[8]**



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**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]**

- (i) The main object of the audit of the cash book may be \_\_\_\_\_. Provide a brief justification for your answer.
- to verify the assets and liabilities.
  - to know that all receipts and payments have been properly recorded.
  - to check the internal control system in business.
  - to check the bank balance
- (ii) The purpose of the audit of wage payment is to determine that \_\_\_\_\_. Provide a brief justification for your answer.
- the work is executed completely for which the workers are paid wages.
  - the workers are paid the correct amount of wages under proper authorization.
  - the workers are working regularly.
  - none of the above.
- (iii) Audit in depth means \_\_\_\_\_. Provide a brief justification for your answer.
- audit of each and every item.
  - intensive audit of each and every item.
  - intensive audit of a few items.
  - audit of a few selected items
- (iv) The most difficult type of misstatement to detect fraud is based on \_\_\_\_\_. Provide a brief justification for your answer.
- related party purchases.
  - related party sales.
  - the restatement of sales.
  - omission of a sales transaction from being recorded.
- (v) Which of the following is not likely to be a fraud risk factor relating to management characteristics and why?
- Tax evasion.
  - Failure to correct known weakness in internal control system.
  - Adoption of conservative accounting principles.
  - D. High management turnover.



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SECTION – B

Answer any two questions:

[16 × 2 = 32]

7. (a) (i) What is Cyber Security? What is Computer Forensics?  
(ii) Reconcile the differences between the two. [5+3=8]
- (b) Compare and contrast between the following with brief narratives of examples.  
(i) Auditing around the Computer  
(ii) Auditing through the Computer  
(iii) Auditing with the Computer [3+5=8]
8. (a) Critically assess Information System Audit methodology.
- (b) There are essentially no difference between reporting for Corporate Social Responsibility (CSR) and “Environment, Social & Governance (ESG) by a listed company”. – Do you agree with this statement? Demonstrate your justifications with examples [7+9=16]
9. (a) Analyse the limitations of Internal Control with brief justifications. [8]
- (b) Compare and contrast between Internal Control and Internal Audit. [8]

SECTION – C

10. A Housing Society wants to celebrate Annual Day. Monetary contributions are to be collected equally from all the 64 households. A vendor for beverages has also agreed to contribute some sponsorship money. A Musical Party, Dinner, Cold Drinks, Tea etc. will be served for about 300 family members and friends. Gift item reserved for Children below 10 Years. Make a detailed list of documents to be kept to satisfy the Society Auditor for each head of Income and Expenditure and formulate your justification in support of each of the documents from the perspective of management audit. [8]