PAPER – 19: Cost and Management Audit

Paper – 19 : Cost and Management Audit

Time Allowed: 3 Hours **Full Marks: 100**

Answer Question No. 1 which is compulsory and Carries 20 Marks and any 5 questions from Question No. 2 to 8.

I. Answer the following

1. (a) Fill in the blanks: [5 × 1 = 5]
- (i) Cost Audit was introduced in the year ________
- (ii) Excisable Clearance means _________
- (iii) Central Excise Revenue Audit is conducted by the organisation of ___________
- (iv) Responsibility centre is a _____ group of control centre.
- (v) Cost Accounting Standard on cost of service cost centre is dealt in ______

(b) State whether the following statements are true or false: [5 × 1 = 5]
- (i) Cost Audit and Management Audit are one and the same.
- (ii) Cost Accounting Standard on packing material cost is dealt in CAS - 11.
- (iii) If the company has more than one factory producing the same product, in the year for which the cost audit is applicable, the same need not be shown in separate annexure for each factory in Cost Audit Report.
- (iv) Two companies simply having a common director shall not be deemed as 'Related Party Relation'.
- (v) Manager of an Investment Centre is required to earn a satisfactory return.

(c) Answer any five of the following in one or two sentences [5 × 2 = 10]
- (i) Whether Companies [Cost Records and Audit] Rules, 2014 is applicable to a company which is generating electricity for captive use?
- (ii) Can a Cost Accountant in employment be a Cost Auditor?
- (iii) Explain the tenure of a Cost Auditor of the Company.
- (iv) Explain Energy Audit.
- (v) Define Internal Audit.
- (vi) Who is the approving authority to whom the cost audit report shall be submitted by the cost auditor of the company?

II. Answer any 5 from Question No. 2 to 8. Each question carries 16 marks.

2. (a) What are the duties of the companies in relation to provisions of Section 148 of the Companies Act, 2013 and Rules framed there under? **[6]**
(b) What are the qualifications and disqualifications of a Cost Auditor? **[10]**

3. (a) What are the objectives of Management Audit? **[6]**
(b) What do you understand by "Corporate Image"? What are the possible approaches to evaluate Corporate Image? **[10]**

4. (a) Following data is available for a company relating to the Cost of Production of a product subjected to Cost Audit.
Prepare the Export Profitability statement to be included in the Annexure to the Cost Audit Report. Production10,000 units.

	₹
Sales (local) 9,000 units	2,02,500
Sales (Export) 1,000 units	20,000
Materials consumed 20 Tones @ ₹ 5 Kg.	1,00,000
Imported components @ ₹ 3/unit	30,000
Direct Labour	10,000
Factory Overhead	15,000
Administrative Overhead	5,000
Freight and Packing (local Sales)	4,500
Packing for Export	2,000
Handling at Port	500
Opening Work -in-progress	10,000
Closing Work in-progress	5,000

Additional information:

(i) Export incentives of 10% on FOB is receivables

(ii) Draw Back-on-Duty paid on Raw Materials and components available on Export is ₹ 2,500 **[8]**

(b) What are "Waste Multipliers" in textile costing? The following are the process wise wastages on the inputs in the 1994-95:

Process	% 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 facts. **[8]**

5. The following figures are extracted from the statement prepared by the Cost Accountant and the Trial Balance of XYZ Ltd. which is a single product company: -

			(₹ in lakhs)
	31-3-2008	31-3-2007	31-3-2006
Gross sales inclusive of excise duty	2,040	1,965	1,875
Excise duty	295	280	265
Raw materials consumed	1,140	1,060	975
Direct Wages	35	32	27
Power and fuel	30	27	24
Stores and spares	6	5	4
Depreciation charged to production cost centres	16	15	13
Factory overheads:			
Salaries and wages	5	4	3
Depreciation	2	2	2
Rates and taxes	1	1	1
Other overheads	6	5	4
Administrative overheads:			

Salaries and wages	10	9	8
Rates and taxes	2	2	2
Other Overheads	162	154	148
Selling and distribution overheads:			
Salaries and wages	7	6	5
Packing & forwarding	6	6	5
Depreciation	1	1	1
Other overheads	124	118	108
Interest	85	74	68
Bonus and gratuity	12	10	9
Gross current assets	840	724	640
Current liabilities and provisions	324	305	246

You are required to compute the following ratios as per Companies (Cost Records and Audit) Rules, 2014: - Note: The computation should be based on EBDIT as Operating Profit.

(i) Operating Profit as percentage of value addition;

(ii) Value addition as a percentage of Net Sales; [16]

6. (a) Calculate the installed capacity, available capacity, normal capacity, actual capacity, idle capacity, abnormal idle capacity from the following data as per CAS-2

Manufacture's specifications capacity per hour	600 units
No. of shifts (each shift of 8 hours)	3 shifts
Holidays in a year (365 days):	
(i) Sundays	52 days
(ii) Other holidays	10 days

Annual maintenance is done with in 13 holidays.
Preventive weekly maintenance for the machine on Sunday
Normal idle Capacity for batch charge
Over, lunch, personal need etc = 1 hr. per shift
Production bases on sales expectancy in Past 5 years = 36.12, 32.28, 35.64, 29.28 and 36.24 lakhs units. Actual production during the year=36.12 lakh units. [10]

(b) Purchase of Materials ₹ 2,00,000 (inclusive of Trade Discount ₹ 3,000); Fee on Board ₹ 10,000; Import Duty paid ₹ 15,000; Freight Inward ₹ 20,000; Insurance paid for import by sea ₹ 12,000; Rebates allowed ₹ 4,000; Cash discount ₹ 3,000; Cenvat Credit refundable ₹ 7,000; Subsidy received from the Government for importation of these materials ₹ 18,000. Compute the landed cost of material (i.e. value of receipt of material). [6]

7. (a) The profit as per Financial Accounts of Strong Cements Ltd. for the year 2011-12 was ₹ 1,54,28,642. The profit as per Cost Accounting Records for the same period was less. The following details are collected from the Financial Accounting Schedule and Cost accounting records.

	Financial Accounts ₹	Cost Accounts ₹
Value of Stock:		
Opening: WIP	25,62,315	22,65,710
Finished goods	2,65,47,520	2,92,18,950
Closing: WIP	42,75,640	37,36,346

Finished goods	3,72,59,430	4,35,25,149
Interest income from inter-corporate deposits	6,15,340	-
Donations given	4,85,560	-
Loss on sale of Fixed Assets	1,22,546	-
Value of cement taken for own consumption	3,82,960	3,65,425
Cost of power drawn from own wind mill		
-- At EB Tariff	-	49,56,325
-- At Cost	36,20,370	-
Non-operating income	45,36,770	-
Voluntary retirement compensation	16,76,540	-
Insurance claim relating to previous year received during the year	14,35,620	-

You are required to prepare a Reconciliation Statement and arrive at the Profit as per Cost Records. [10]

(b) What are the main areas of Operation for Internal Audit of a company? [6]

8. (a) A Tyre and Tube manufacturing company is having turnover of ₹ 80 crores from all its activities. The company has filed its prospectus with SEBI for a public issue of equity shares and it hopes to complete the public offering by September 2014 end. Whether cost audit will become applicable to the company? If yes, then from which financial year will cost audit become applicable? [6]

(b) What disclosures are required to be made in Cost Statement as per CAS – 19 as regard to Joint Costs? [5]

(c) Write a short note on Propriety Audit. [5]