Paper - 19 : Cost and Management Audit

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Full Marks : 100 **Time allowed: 3 hours**

Answer Question No. 1 which is compulsory and carries 20 marks and any five from Question No. 2 to 8.

Section – A

[20 marks]

1. **Choose the correct option among four alternative answers. (1 mark for correct choice, 1 mark for justification.)** **[10×2=20 marks]**

   (i) Cost Auditing Standard 101 deals with _____________.

   (a) knowledge of business , its Process and the Business Environment

   (b) planning an Audit of Cost Statements

   (c) Cost Audit Documentation

   (d) overall objectives of the Independent Cost Auditor

   (ii) Management Audit report is submitted to _____________.

   (a) Cost Audit Branch

   (b) Audit Committee

   (c) Central Government

   (d) Management of concern.

   (iii) The form in which appointment of cost auditor by the company to Central Government is intimated _____________.

   (a) CRA-1

   (b) CRA-2

   (c) CRA-3

   (d) CRA-4

   (iv) The Cost Accounting Standard 6 deals with _______.

   (a) Material Cost

   (b) Employee Cost

   (c) Direct Expenses

   (d) Administrative Overhead

(v) The length of Corporate Identity Number (CIN) is __________.

(a) 13

(b) 15

(c) 21

(d) 24

(vi) The process of determining the elements which correspond to the lines and the columns in a financial statement and the elements which must be created by extension is called as_______________.

(a) Mapping

(b) Name

(c) Concept

(d) Scaling

(vii) Which one of the followings in an example of "Solvency Ratio?

(a) Debt Equity ratio

(b) Capital turnover Ratio

(c) Debtors Turnover Ratio

(d) None of above

(viii) Position Analysis is one of the techniques used by Management Auditor for evaluation of:

(a) Profit of a Corporate.

(b) Net worth of a Corporate.

(c) Balance Sheet of a Corporate.

(d) Corporate image.

(ix) CAS 19 deals with__________

(a) Pollution Control Cost

(b) Research and Development Cost

(c) Joint Costs

(d) Royalty and Technical Know-How

(x) Items appearing only in Cost Records:

(a) Rent receivable

(b) Notional interest on capital

(c) Good will written off.

(d) Dividends.

Answer: 1.

(i) (b) Planning an Audit of Cost Statement

Reason: The objective of Cost Auditing Standard - 101 is to guide the members in planning for the audit of cost statements so that it is performed in an efficient and effective manner. Audit planning shall also include establishing the overall audit strategy and audit plan for the conduct of the audit.

(ii) (d) Management of concern.

Reason: Management audit undertakes examination of the effectiveness of management in controlling the total activities of the organisation in the accomplishment of the organisation objectives.

(iii) (b) CRA-2

Reason: Every company referred to in sub-rule (1) shall inform the cost auditor concerned of his or its appointment as such and file a notice of such appointment with the Central Government within a period of thirty days of the Board meeting in which such appointment is made or within a period of one hundred and eighty days of the commencement of the financial year, whichever is earlier, through electronic mode, in form CRA-2, along with the fee as specified in Companies (Registration Offices and Fees) Rules, 2014.

(iv) (a) Material Cost

Reason: CAS-6 deals with the principles and methods of classification, measurement and assignment of material cost, for determination of the Cost of product or service, and the presentation and disclosure in cost statements. The objective of this standard is to bring uniformity and consistency in the principles and methods of determining the material cost with reasonable accuracy.

(v) (c) 21

Reason: Corporate Identity Number (CIN) is a unique 21 digit alpha-numeric number which is assigned by the ROC (Registrar of Companies).

(vi) (a) Mapping

Reason: As per the XBRL, Mapping is the process of determining the elements which correspond to the lines and the columns in a final statement and the elements which must be created by extension.

(vii) (a) Debt Equity ratio

Reason: Debt Equity ratio represents the long term solvency position of an entity. It is a ratio of debt to equity representing ratio of debt in capital structure.

(viii) (d) Corporate image.

Reason: Position Analysis helps in determining market share, market stability, etc.

(ix) (c) Joint Cost

Reason: CAS - 19 deals with the principles and methods of measurement and assignment of Joint Costs and the presentation and disclosure in cost statement. The objective of this standard is to bring uniformity, consistency in the principles, methods of determining and assigning Joint Costs with reasonable accuracy.

(x) (b) Notional interest on capital.

Reason: 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.

Section - B

[80 marks]

2. (a) In case of practical audit process, mention the steps to be followed by a cost auditor.

(b) The Companies Act, 2013 has introduced provision regarding rotation of auditors. Is the provision of rotation of auditors applicable to cost auditors also? [10+6]

Answer:

2. (a)

In order to conduct practical audit, the following steps are to be followed by a cost auditor:

Step I: Objectives of Audit and Management Outlook i.e. cost optimization or cost reduction, checking parameters of operational efficiency of a unit or any utility or any other function or department, identifying profit making or loss making products, suggesting changed marketing strategies, complete review of business strategies etc.

Step II: Pre-conditions i.e. Objectives of cost audit, Area, nature and scope of audit, Number of cost auditors appointed, the applicable reporting framework, the reporting period, the statutory deadlines etc.

Step III: Understanding the Company’s Business i.e. the cost auditor is required to understand the company’s business, its corporate structure and various systems followed like Internal Control Systems, Internal Audit System, Accounting Systems & Policies , Cost Accounting System & Policies, Company’s MIS system, risk identification & management system, IT policy, IT data security policy etc.

Step IV: Planning the Audit which includes timing and duration of audit period, Level and number of audit personnel to be deployed, audit partner to be deployed, drawing up an overall audit plan and audit strategy, Formulating appropriate audit procedures etc.

Step V: Execution of Audit i.e. Perform the audit checks and procedures as planned, Collect all required audit evidence and validate their relevance, reliability and accuracy, Prepare draft observations & discuss with key management personnel and Prepare final audit report.

Step VI: Audit Documentation i.e. Document audit plan, audit strategy, working papers, draft observations, final report etc. and preserve all documents in a bound folder/file for the prescribed period.

2. (b)

The provisions for maintenance of cost accounting records and cost audit are governed by Section 148 of the Companies Act, 2013. The provisions of Section 148 clearly states that no person appointed under Section 139 as an auditor of the company shall be appointed for conducting audit of cost records of the company. Section 148 also provides that qualifications, disqualifications, rights, duties and obligations applicable to auditors (financial) shall apply to a cost auditor appointed under this section. The eligibility, qualifications and disqualifications are provided in Section 141 of the Act and powers and duties are provided in Section 143. Section 143(14) specifically states that the provisions of Section 143 shall mutatis mutandis apply to a cost auditor appointed under Section 148. There are no other provisions governing the appointment of a cost auditor.

Section 139(3) of the Act, applicable to appointment of auditors (financial), and Rule 6 of Companies (Audit and Auditors) Rules, 2014 deals with the provision of rotation of auditors and these provisions are applicable only to appointment of auditors (financial). The Act does not provide for rotation in case of appointment of cost auditors and the same is not applicable to a cost auditor. It may, however, be noted that though there is no statutory provision for rotation of cost auditors, individual companies may do so as a part of their policy, as being the practice with Public Sector Undertakings.

3. (a) Z Electronics Co (ZEC) has made an agreement with Tuzuki of Japan for import of kits of Automatic Washing Machine in completely knocked down (CKD) condition. The terms of agreement are :

(i) Tuzuki will supply some items keeping 20% margin on cost. These imported items are of value of 40% of FOB price of Washing Machine and balance 60% will be locally manufactured.

(ii) ZEC will pay a lump sum of ₹ 300 lakhs for technical know how and drawing for manufacturing of 3 lakhs washing machines.

(iii) ZEC will also pay a royalty at 10% of selling price fixed by it in the local market less landed cost of imported kits and cost of locally procured components.

The following related information is also available :

(i) FOB price for washing machine is ₹ 8,000.

(ii) Insurance & freight is ₹ 300 per set of imported items

(iii) Effective custom duty is @ 40% on CIF price

(iv) Assembling & other overhead costs will be ₹ 1,000 per set.

(v) **Expected profit is 20% on selling price**

You are required to calculate the selling price of Washing machine (rounded to ₹ 10)

(b) (i) How to treat Inward Transportation Cost as per the Cost Accounting Standard 5

(ii) How Transportation Cost is to be determined in case the manufacturer is having its own transport fleet? [10 + (2 + 4)]

Answer:

3. (a) Computation of selling price of Washing Machine

Particulars	**Amount (₹)**
FOB price of complete Washing Machine	8,000
Value of imported items (40% of FOB price)	3,200
Value of locally manufactured items (60% of FOB Price)	4,800
A. Cost of imported Items :	
(i) FOB price of imported parts	3,200
(ii) Freight & Insurance	300
(iii) CIF value	3,500
(iv) Custom duty 40% on CIF value	1,400
Landed cost of imported kits (iii) +(iv)	4,900
B. Cost of material - both imported + local (4800 +4900)	9,700
C. Assembling cost & other overhead costs	1,000
D. Technical know-how cost per machine	100
E. Total cost excluding royalty (B+ C + D)	10,800
F. Royalty	434
G. Total Cost	11,234
H. Profit (25% of Cost)	2,806
Selling Price of Washing Machine (G + H) [rounded to ₹ 10]	14,040

Working note for calculation of royalty:

Let Royalty = X

Cost = (10,800 + X)

Selling price = (10,800 + X) x 1.25 = (13,500 +1.25 X)

Royalty = (Selling Price – landed cost of imported kits - landed cost of local items) x 0.10

Or X = (13,500 + 1.25 X – 9,700) x 0.10

Or X = 380 + 0.125 X

Or 0.875 X = 380

Or X = 434

3. (b)

(i) As per the Cost Accounting Standard 5, Inward transportation cost is the transportation expenses incurred in connection with the materials/goods received at factory or place of use. Inward transportation costs shall form the part of the cost of procurement of materials which are to be identified for proper allocation/apportionment to the materials/ products.

(ii) In case of a manufacturer having his own transport fleet, proper records shall be maintained to determine the actual operating cost of vehicles, showing the details of various elements of cost, such as salaries and wages of driver, cleaners and others, cost of fuel, lubricant, grease, amortized cost of tyres and battery, repairs and maintenance, depreciation of vehicles, distance covered and trips made, goods hauled transported to the depot. Separate records should be maintained as per Appendix 1 to the standard separately for

a. Inward transportation

b. Outward transportation

c. Movement for home consumption and export

d. Separate for production and trading activities

e. Separate for transportation other than by road, viz., by air, etc.

4. (a) Management Audit and Operational Audit are complementary and supplementary to one another". Discuss in brief.

(b) What are the points to be consider by Management Auditor while determining the adequacy of Budgetary Control System? (8+8)

Answer:

4. (a)

Management Audit is wider in scope compared to Operational Audit.

Management Audit is concerned with quality of managing whereas Operational Audit centres on the quality of operation. Operational Audit is an audit for the management and Management Audit is an audit of the management also.

The basic difference between the two audits is not in method, but in the level of appraisal. In management audit, the auditor is to make his tests to the level of top management, its formulation of objectives, plans and policies and its decision making. It is not that he just verifies the operations of control and procedures and fulfilment of plans in conformity with the prescribed policies.

The auditor is to reach the root i.e., the functions of top management which lay down objectives and policies, provide means and procedures of implementation and control and which actually engage in direction and control on a continuous basis. In addition to what would normally be covered in an operational audit, management audit would also encompass the relevance and effectiveness of the aims, duties and decisions of management at various levels, plans, policies and decisions of the top management. Every aspect of the functions of Board of Directors should be in conformity with the objects set out in the constituting document. Similarly, the managing director, if any, should act not only in accordance with the mandate he has received but he should ensure that the decisions he takes are in conformity with the objects of the company and the policies formulated by the Board. The effectiveness of management under the control of managing director and the various members of the Board including those in charge of finance, production, sales etc., should be subject to review of the management auditor.

Therefore, it can be said that the two audits are complementary and supplementary to one another.

4. (b)

While determining the adequacy of the budgetary control system of an organisation, it is essential that the Management Auditor should evaluate its coverage and effectiveness, i.e. whether the system in operation covers all functions rather than an accounting exercise. For this purpose, he/she should examine whether the system contributes towards accomplishing the basic task of planning, coordinating and controlling the activities of the organisation in relation to the product under Management Audit.

The Management Auditor should examine and appraise the points as stated below:

(i) In the area of Planning:

1. Whether it covers all interrelated functions like production, sales, purchasing and financed
2. Whether it determines the linkage between the budget centres and the responsibility centres.
3. Whether it establishes definite goals and limits for these functions well in advance
4. Whether there are imbalances in the fixation of performance levels of functional budgets in relation to sales budgets.
5. Whether a budget monitoring cell exists for operating the system in the right perspective

(ii) In the area of coordination:

1. Whether the budget monitoring cell holds its meeting regularly with a view to ensuring performance evaluation
2. Whether it helps to prevent waste that results in duplication or cross-purpose activities.
3. Whether it reveals timeline in the process of preparation and approval of all the functional budgets and the master budget.

(ii) In the area of Control:

1. Whether system exists for measuring, comparing and quantifying the results of all functional areas.

2. Whether the budget incorporates a degree of flexibility with a provision for its periodical review.

3. Whether the variance reports are prepared and appropriate corrective actions are taken on the variances.

5. (a) In the Financial Accounts of Samriddhi Ltd. for the year ended March 31, 2019 the profit was ₹ 9,25,80,000. The profit as per Cost Accounting records for the same period was less. The following details are extracted from the accounting schedules and Cost Accounting records of the company.

Amount in ₹ thousand

Particulars	Financial A/c	Cost A/c
Opening : Semi Finished Goods	45,800	50,900
: Finished Goods	99,300	95,750
Closing : Semi Finished Goods	48,200	52,400
: Finished Goods	1,05,450	97,100
Urea & Transport subsidy	520	
Expenses on CSR	72	
Profit on sale of Fixed Assets	220	
Chemical used internally	425	400
Favourable Exch. Rate variation	350	
Post-retirement Medical grant	715	
Purchase Tax Refund	580	
Litigation Recovery-Prior year	175	

You are required to prepare a Reconciliation Statement and arrive at the Profit as per Cost Records for the year ended March 31, 2019

(b) Discus about the responsibilities of Management with regard to Internal Control. [10+6]

Answer:

5. (a)

Reconciliation of Profit between Cost Accounts and Financial Accounts of M/s. Samriddhi Ltd.

Amount in ₹ thousand

Particulars	Amount	Amount
Profit or loss as per Financial Accounts		92,580
A. Less: Incomes not considered in Cost Accounts:		
Profit on sale of Fixed Assets	220	
Urea & Transport Subsidy	520	
Litigation Recovery-Prior year	175	
Favorable Exch. Rate Variation	350	
Purchase tax Refund	580	
Own consumption (chemicals) valuation difference (425 - 400)	25	(1,870)
B. Add: Expenses not considered in Cost Accounts		
Expenses on CSR	72	
Post-retirement medical grant	715	787
C. Less: Difference in Valuation of stock between Financial Accounts and Cost Accounts (workings)		(5,700)
Profit as per Cost Accounts		**85,797**

Workings:

Current Year (2018-19)

(Amount in ₹ thousand)

Particulars	Financial Accounts	Cost Accounts
Opening Semi finished	45,800	50,900
Finished	99,300	95,750
Total	**1,45,100**	**1,46,650**
Closing semi finished	48,200	52,400
Finished	1,05,450	97,100
Total	**1,53,650**	**1,49,500**
Variation in inventory	8,550	2,850

Increase in difference of stock valuation towards financial accounts

= ₹ (85,50,000 – 28,50,000) = ₹ 57,00,000

5. (b)

The responsibilities of Management with regard to internal Control can be summarized as under:

(i) **Creation of system:** Management is responsible for maintaining an adequate accounting system incorporating various internal Controls to the extent appropriate to the size and nature of the Business. The Management is vested with the responsibility of carrying on the business, safeguarding its assets and recording the transactions in the books of account and other records.

(ii) **Review of system:** The system installed, should be reviewed by the Management to ascertain, whether-

- The prescribed Management policies are being properly interpreted by the employees and are faithfully implemented,
- The prescribed procedures need a revision due to changed circumstances or whether they have become obsolete or cumbersome, and
- Effective corrective measures are taken promptly when the system appears to breakdown

(iii) **Internal Audit:** It is desirable that the Management also installs an internal audit System as an independent function to check, amongst other things, the actual operation of the Internal Control System and report any deviations or non-compliances.

6. (a) Jyoti Electronics Ltd. is engaged in the manufacture of Refrigerator having its factories at Bangalore and Chennai. The company manufactures Compressor at Bangalore which is consumed to produce Refrigerator at Chennai factory. The following information pertaining to captively consumed Compressors are extracted from the records of the company for the half year ended March 31, 2019.

(₹ in Thousand)

Direct material	**1,200**
Direct wages and salaries	**470**
Direct expenses	**120**
Indirect materials	**90**
Factory overheads	**376**
Administrative overheads (20% relating to production activities)	**720**
Quality control cost	**150**
Research and development cost	**150**
Selling and distribution expenses	**250**
Sale of scrap realized	**150**
Profit margin	**15%**

You are required to determine:

(i) The cost of production for purpose of captive consumption in terms of Rule 30 of the Central Goods & Services Tax Rules 2017 and as per CAS-4 (Revised), and

(ii) Also Assessable Value for the purpose of paying GST on applicable transactions.

(b) What are the preliminary information you, as a Cost Auditor, will collect from the company which is subject to cost audit for the first time? [8+8]

Answer:

6. (a)

Jyoti Electronics Ltd.

Computation of Cost of Production (As per CAS 4)

Direct material	1,200
Direct wages and salaries	470
Direct expenses	120
Factory overheads (90 + 376)	466
Quality control cost	150
Research and development cost	150
Administrative overheads (to the extent relates to production activities) (720 x 20%)	144
Less: Sale of scrap realized	(150)
Cost of production	**2,550**
Add: 10% as per rule 30 of CGST Rules, 2017 (10% of ₹ 2,550)	255
Assessable Value as per rule 30 of CGST Rules, 2017	**2,805**

6. (b)

The following information from the company is generally required by a cost auditor relating to cost audit:

(i) A brief history of the company and its business activities.

(ii) Memorandum of Association and Articles of Association.

(iii) Annual reports and accounts for the last three to five years.

(iv) A list including addresses of all factories, branch offices and depots with the names managers-in-charge.

(v) Organization chart with details of key personnel.

(vi) Collaboration agreements, if any, including agreements for payment of royalty.

(vii) Details of manufacturing capacity - installed, licenses and utilization of installed capacity for the last three years.

(viii) A detailed note indicating the system and procedure followed in -
  (a) Cost department
  (b) Financial accounting department
  (c) Purchase, raw materials/ packing materials stores etc.
  (d) Time office
  (e) Production department
  (f) Sales department
  (g) Management Information System
  (h) Internal audit department
(ix) Copies of budget manual
(x) Flow charts and description of manufacturing process
(xi) Major raw materials with quantitative details for each; unit of finished output
(xii) Labour incentive schemes, if any
(xiii) Details of budgetary control and standard costing procedures with treatment for variances.
(xiv) Copies of industrial licenses, if any, issued from time to time
(xv) Periodical reports submitted to Government authorities.

7. (a) A nationalized bank which has extended cash credit to a manufacturing company on the security of the inventory holding, is periodically receiving stock statements from the company indicating the value of stocks held. The company is sick and the Bank wants to reassure itself that its loans are fully covered by stocks. You have been appointed by the Bank to certify the value of the inventory. How would you proceed to conduct the 'inventory audit'?

(b) Purchase of Materials ₹ 3,00,000 (inclusive of GST of ₹ 15,715); Fee on Board ₹ 12,000; Import Duty paid ₹ 15,000; Freight inward ₹ 20,000; Insurance paid for import by sea ₹ 10,000; Rebates allowed ₹ 4,000; Subsidy received from the Government for importation of these materials ₹ 20,000. Compute the landed cost of material (i.e. value of receipt of material). [10+6]

Answer:

7. (a)

In order to conduct Inventory Audit the following aspects should be considered:

(i) Physical verification of stocks.

(ii) Method of valuation adopted.

(iii) Currency of stocks (i.e., movement)

(i) **Physical verification of stocks -** Physical verification of stocks will normally be 100 percent. However, depending upon the nature of items and material flows, it may be done by sampling. This will require proper sampling procedures to ensure the samples verified represent the characteristics of entire stock. An ABC categorization may be done so that right emphasis is given to each item of stock.

(ii) **Method of valuation adopted -** The main thrust of inventory audit is to check the accuracy of the costs, to verify the market rates and to see that the values adopted for stock valuation are cost price or net realisable value whichever is lower. Basis of valuation adopted for Raw Materials, Work-in process, Finished Goods and Spares and Consumables must be examined and reasonableness verified to ensure the realizable values. For imported items foreign exchange translation rate for conversion will be:

(a) as per bank debits under LC, or

(b) rate prevalent as evidenced by Bill of Entry or Forward Rate if Forward Contract has been taken.

(iii) **Currency of stocks -** Currency of stocks will be ensured by analyzing all items by fast, slow and non-moving characteristics. In respect of slow and non-moving items, fall in value, if any, due to obsolescence, deterioration etc. will also have to be examined and reported.

In respect of spare parts, care must be taken to segregate items of spares relating to scrapped or replaced plant/machinery, as these may not have any value.

In finished goods also, returns from customers for defects in quality must be given special consideration in valuation.

The basis of the unit rates adopted must be consistent and include:

(a) Freight, insurance, packing, loading and unloading and other incidental charges incurred.

(b) Manufacturing costs upto stages of completion in case of finished product.

The report may be designed by the bank or designed by the Cost Auditor. In any case some items which need to be highlighted should be shown separately. The report should contain lacuna, if any, improvements required, and suggestions for improvement. Needless to say the report should not only be useful to client, i.e. bank but also to the unit whose audit is carried out to enable them to improve their performance.

7. (b)

Computation of Material Cost Sheet

	Particulars	**Amount (₹)**
		3,00,000
Add:	Fee on Board	12,000
Add:	Import Duties of purchasing the material	15,000
Add:	Freight Inward during the procurement of material	20,000
Add:	Insurance paid	10,000
	Total	**3,57,000**
Less:	Rebates	4,000
Less:	GST Input Tax Credit	15,715
Less:	Subsidy received from the Government for importation of materials	20,000
	Value of Receipt of Material	**3,17,285**

8. Answer any four. **4×4=16**

(a) "The Cost Audit Reports can be termed as propriety audit" — Discuss.

(b) Write a short note on Key Performance Indicators (KPIs).

(c) A company is facing problem in satisfying customers' orders leading to backlog of supply position. How to identify the problem by means of Operational Audit?

(d) What is Standard Stripping Ratio as per CAS-23?

(e) Mention the steps involved in the preparation of the Performance Analysis.

Answer:

(a) Propriety audit stands for verification of transactions in the best interest of the public, commonly accepted customs and standards of conduct. In other words, the propriety audit seeks to ensure that the planned expenditure would yield the optimum returns and there is no other better alternative available. It seeks to ensure that the expenditure is not only appropriate to the circumstances of each case, it has indeed achieved the objectives for which it has been incurred.

The Cost Audit Reports can be termed as propriety audit as these reports seeks to ensure that actual expenditure at each stage is appropriate and optimum returns have been achieved. The cost auditor always aims at ensuring that the actual expenditure should not be prima facie more than what the occasion demands. The cost auditor has to report on matters which appear to him to be clearly wrong in principle, cases where the company's funds have been used in a negligent or inefficient manner, arm's length pricing of related party transactions, etc. These are the areas where the propriety aspect is involved and therefore cost audit may be in the nature of "propriety audit".

(b) Key Performance Indicators (KPIs) are simply the variables, independent or interdependent, in respect of which the goals can be set and performance measured to assess whether it is in furtherance of the enterprise objectives. Hence, for evaluation of performance the selection of KPIs must be chosen correctly in tune with the objectives. The KPI measurement should not be a static computation, but always needs to be compared with a benchmark set.

The KPIs could be:

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

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

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

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

(c) The Operational Auditor may use the technique of Work Load Measurement to assess the situation. He/she may draw up a questionnaire to assess the situation so as to include the following queries:

(i) Is there a backlog of work and if so whether the same is due to increased volume or inadequacy of men, material or machines?

(ii) Is the increase in work volume is temporary or may continue?

(iii) Will the situation likely to ease with additional inputs like personnel, machines etc?

(iv) Is the workload of each employee is justified or needs adjustment through improved supervision or training?

(v) Will investment in advanced technology will commensurate with benefits derived from it?

(vi) What control measures exist to assess the work efficiency and what are the remedial measures?

The operational auditor will proceed to finalise the report and submit to the Management after collecting and analysing the information received.

(d) The Cost Accounting Standard 23 deals with Overburden Removal Cost. The objective of this standard is to bring uniformity, consistency in the principles, methods of determining and assigning Overburden Removal Cost with reasonable accuracy.

Standard stripping ratio is the ratio between the total quantity of overburden to be removed (in cubic meters) and the total mineral to be extracted (in tonnes) during the Projected life of the project.

The term Standard stripping ratio and Average stripping ratio denote the same meaning and are used interchangeably.

The Ratio shall be reviewed periodically, at least every five years, to take into account changes in geological factors such as actual behaviour of the soil and the ore body. The ratio shall be reviewed immediately if the geological factors alter radically, for example due to earthquake.

The reported quantity of overburden is considered in cost statement where the variance between the reported quantity and the measured quantity is within the permissible limits. Reported quantity is the quantity of overburden that is necessary corresponding to actual quantity of mineral raised.

For example, 3:1 stripping ratio means that mining one Ton of ore will require mining three cubic meters of waste rock (overburden).

(e) The following steps are involved in the preparation of report on Performance Analysis:

(i) Identify and understand the key strategies of the company, both prescriptive and emergent strategies included.

(ii) Choose strategies that have more visible expressions in costs data maintained by the company.

(iii) Identify the activities that were impacted by the strategies selected and also implemented during the year.

(iv) Analyze the cost implications of those activities and link it with the expected results of the strategies.

(vi) Present the evaluation, in a table or any other easily comprehensible format like histogram, chart, graph etc.

(vii) Give explanatory notes for the terms used, calculations made, and assumption behind the evaluations.

(viii) Finalize the finding after a discussion with the concerned operating executives and then with the management of the company.