

FINAL EXAMINATION

June 2025

P-17(CMAD)
Syllabus 2022

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 respective answer.

All workings should form part of the answer.

SECTION – A (Compulsory)

1. (a) Choose the correct option from the four alternatives given:

2×10=20

- (i) The Cost Audit Report prepared in pursuance of a direction under Sub-Section(2) of Sec.148 of the Companies Act,2013, is to be furnished by the Company to the Central Government along with full information and explanation on every reservation or qualification contained therein, within _____ of the date of receipt.
- (A) 30 days
(B) 60 days
(C) 90 days
(D) 120 days
- (ii) As per Companies (Cost Records and Audit) Rules, 2014, the Cost of Secondary packing materials shall form part of
- (A) Cost of Production
(B) Finance Cost
(C) Raw Material Cost
(D) Distribution Overheads
- (iii) As per Rule 8, of the Companies (Audit and Auditors) Rules, 2014, the auditor who has resigned from the company, shall file with the Company and Registrar, within a period of 30 days from the date of his resignation, a statement in the form
- (A) ADT – 3
(B) ADT – 4
(C) ADT – 2
(D) ADT – 1

- (iv) Sugar and Industrial Alcohol belong to _____ sector for the purpose of Application of Cost Records.
- (A) Regulated
 - (B) Non-Regulated
 - (C) Both depending on circumstances
 - (D) None of the above
- (v) Which of the following contains the properties and interrelationships of all the cost elements for the purposes of capturing the required reporting data in XBRL format?
- (A) Audit Program
 - (B) Costing Taxonomy
 - (C) Checklist
 - (D) Audit Plan
- (vi) Which of the following particulars relating to wages and salaries is/are to be included in Cost Auditor's Report to the Director of the company?
- (A) Total wages and salaries paid
 - (B) Total man days of direct labour available and actually worked
 - (C) A brief explanation of variances in items
 - (D) All of the above
- (vii) CAS 5 deals with
- (A) equalized cost of transportation.
 - (B) captive consumption.
 - (C) capacity determination.
 - (D) cost classification.
- (viii) Internal Audit is conducted
- (A) periodically.
 - (B) throughout the year.
 - (C) once in a year.
 - (D) Both (A) and (B)

- (ix) Operational Audit can lead to better management with the focus on
- (A) transaction-based analysis for fraud prevention.
 - (B) compliance of rules.
 - (C) risk identification, process improvement.
 - (D) budget monitoring.
- (x) Which of the following is not prescribed in the provision of the Prevention of Money Laundering Act, 2002?
- (A) Seizure of Property
 - (B) Attachment of Property
 - (C) Confiscation of Property
 - (D) Life Imprisonment

(b) Choose the correct option:

2×5=10

ABC Ltd., which is manufacturing consumer products, has two divisions: Assembling and Finishing.

The two divisions are operating as Cost Centres.

Present activities and costs involved in the Assembling Division and Finishing Division in a year are as under:

Number of Sets Assembled	14,000
Cost of Manufacturing of parts (including material)	₹ 9,00,000
Parts purchased from the market	₹ 5,00,000
Other variable overhead:	
Welding Cost	₹ 6,50,000
Assembling Cost	₹ 9,50,000
Fixed Cost for the unit	₹ 12,00,000

25% of the production of the Assembling Division is sold in the market for ₹ 400 per set and 75% is transferred to Finishing Division at ₹ 370.

The Cost incurred in Finishing Division:

Painting Cost — ₹ 6,00,000

Polishing Cost — ₹ 1,50,000

Fixed Cost — ₹ 4,50,000

The selling price per set ₹ 550

Find out the correct option in respect of the following items:

(xi) Total Sales Value for the Assembly Division:

- ☒ (A) ₹ 52,85,000
- (B) ₹ 14,00,000
- (C) ₹ 38,85,000
- (D) ₹ 82,85,000

(xii) Profit for Assembly Division:

- (A) ₹ 7,85,000
- ☒ (B) ₹ 10,85,000
- (C) ₹ 15,80,000
- (D) ₹ 20,00,000

(xiii) Total Sales Value for Finishing Division:

- (A) ₹ 42,00,000
- (B) ₹ 38,85,000
- ☒ (C) ₹ 57,75,000
- (D) ₹ 42,85,000

(xiv) Profit for Finishing Division:

- (A) ₹ 7,20,000
- (B) ₹ 5,90,000
- (C) ₹ 10,00,000
- ☒ (D) ₹ 6,90,000

(xv) Total Profit for the Company:

- ☒ (A) ₹ 17,75,000
- (B) ₹ 10,85,000
- (C) ₹ 6,90,000
- (D) ₹ 12,00,000

SECTION – B**(Answer any five questions out of seven questions given.)****Each question carries 14 marks.)**

14×5=70

2. (a) What are the General Objectives of Cost Audit? 7
- (b) As per Companies (Cost Records and Audit) Rules, 2014, summarise what are the various CRA forms to be submitted by any Company, for which Cost Audit/Maintenance of Cost Records are mandatory. Briefly explain. 7
3. (a) Identify the duties of the Cost Auditor to report Fraud as per provisions of the Companies Act, 2013. 7
- (b) Discuss the steps to be taken for filing the Cost Audit Report with the Central Government. 7
4. (a) TR Ltd., a manufacturing unit, produces two products AB and AC. The following information is extracted from the Books of the Company for the year ended on 31st March, 2025:

Particulars	Product AB	Product AC
Units Produced (Qty.)	2,20,000	1,78,000
Units Sold (Qty.)	1,78,000	1,46,000
Machine Hours utilised	1,36,000	86,000
Design Charges (₹)	1,68,000	1,90,000
Software Development Charges (₹)	2,82,000	3,87,000

Royalty paid on Sales ₹ 8,10,000 (₹ 2.50 per unit sold for both the products)

- (i) Royalty paid on units produced ₹ 4,97,500 (₹ 1.25 per unit produced for both the products).
- (ii) Hire Charges of equipment used in the manufacturing process of Product AB only ₹ 60,000.

Note: No adjustments are to be made relating to units held i.e. Closing Stock.

You are required to calculate the Direct Expenses – keeping in view of Cost Accounting Standard – 10.

- (b) PQR Ltd., a company manufacturing a single product, has the following cost structure for the year ended 31.3.2025:

FY 2024-25

₹ In lakhs

Cost Information	Amount
Cost of Material purchased including of ₹ 320 for railway demurrages	5622
Material from sister concern at cost	1460
Cost of Utilities	3628
Direct Employee cost	1450
Direct Expenses	860
Consumable Stores Spares	1425
Repairs & Maintenance (including abnormal breakdown cost of ₹ 140)	550
Depreciation/Amortization	1280
Other Overheads	1420
Admn. overheads related to cost of production	660
Working Capital Interest to Bank	225
WIP Adjustments	(-)360
Packing costs	540
Misc. subsidy received for Operations	325
Output (in M.Ton)	1430

Calculate the unit cost of production as per CAS 4 for the year 2024-25.

7

5. (a) In the Financial Accounts of C & F Ltd., for the year ended on March 31, 2025, the profit was ₹ 8,78,06,000. The profit as per Cost Accounting records for the same period was different. The following details are extracted from the Accounting schedules and Cost Accounting records of the company, showing the difference of amounts appearing between those:

Particulars	Financial Accounts ₹ '000	Cost Accounts ₹ '000
Opening: Semi Finished Goods	32,700	36,210
Finished Goods	84,220	79,590
Closing: Semi Finished Goods	36,720	40,120
Finished Goods	89,230	81,450
Urea and Transport subsidy	358	NIL
Expenses on CSR	66	NIL
Profit on sale of Fixed Assets	160	NIL
Chemical used internally	392	375

Particulars	Financial Accounts ₹ '000	Cost Accounts ₹ '000
Favourable Exchange Rate Variation	304	NIL
Post-retirement Medical grant	594	NIL
Purchase Tax Refund	463	NIL
Litigation Recovery-prior year	135	NIL

You are required to prepare a Reconciliation Statement and arrive at the Profit as per Cost Records for the year ended on March 31, 2025. 7

- (b) What do you mean by Forensic Audit of Finance? What are the Forensic Audit Techniques? 7
6. (a) Prepare a statement showing the Responsibility and Powers of Enforcement Directorate (ED) as per the provisions of Prevention of Money Laundering Act. 7
- (b) Who is Qualified to conduct Management Audit? Explain. 7
7. (a) Analyse the role of Cyber Security in protecting data used in an organization. 7
- (b) Identify the role of Capacity Utilization Analysis as a tool of Management Audit. 7
8. (a) Briefly explain the Structure of Internal Control. What are the factors to be considered while designing an internal control system to ensure successful internal control system? 7
- (b) Prepare an Audit Programme for the Audit of Non-Government Organisations (NGOs). 7