

FINAL EXAMINATION

December 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 answer.
All workings should form part of the answer.*

Section - A (Compulsory)

1. (a) Choose the correct option from the four alternatives given in each case: $2 \times 10 = 20$
- (i) Cost Audit was first introduced in the year _____.
(A) 1959
(B) 1965
(C) 1949
(D) 1975
- (ii) Form CRA 2 should be signed on behalf of the company by
(A) Directors of the Company
(B) Secretary of the Company
(C) Secretary and one Director of the Company
(D) Person(s) authorized by the Board
- (iii) Cost Accounting Standard 8 pertains to
(A) Cost of Utilities
(B) Capacity Determination
(C) Direct Expenses
(D) Raw Material Cost
- (iv) _____ provides that the Central Government shall maintain a panel of experts to be called as Mediation and Conciliation panel consisting of such number of experts having such qualifications as may be prescribed for mediation between the parties during the pendency of any proceedings before the Central Government or the Tribunal or the Appellate Tribunal under this Act.
(A) Section 247
(B) Section 147
(C) Section 144
(D) Section 442

- (v) Which of the following persons shall not be appointed as Cost Auditor of a company?
 - (A) A person who has been appointed as auditor of the company
 - (B) A spouse of a director of the company
 - (C) A body corporate
 - (D) All of the above

- (vi) Which of the following stages of Cost Audit work involves detailed testing of internal controls, material consumptions, cost accumulation, allocation, apportionment and absorption?
 - (A) Planning
 - (B) Performing
 - (C) Concluding
 - (D) Reporting

- (vii) Although XBRL can be applied to a very wide range of business applications including financial and cost data, XBRL does not have application in which of the following areas?
 - (A) Reporting for internal and external purposes by an entity involving financial and costing data/information
 - (B) Internal Management reports and confidential internal communications
 - (C) Business reporting to all types of regulators, including tax and financial authorities, central banks and governments
 - (D) Exchange of information between government departments, institutions and banks

- (viii) Which of the following conditions holds true for Internal Auditor as per the Companies Act, 2013?
 - (A) Internal Auditor can be appointed by passing a resolution by circulation.
 - (B) Cost Auditor can be appointed as Internal Auditor.
 - (C) Internal Auditor may be any Professional as may be decided by the Board.
 - (D) Statutory Auditor can be appointed as Internal Auditor.

- (ix) A Cost Accountant conducting operational audit in a manufacturing company may review
- (A) machine utilization and production planning.
 - (B) customer satisfaction surveys only.
 - (C) external Audit report of the previous year.
 - (D) tax litigation only.
- (x) The primary objective of Forensic Audit is to
- (A) prepare financial statements.
 - (B) detect, investigate, and prevent fraud or financial misconduct.
 - (C) compute tax liability.
 - (D) improve marketing efficiency.

(b) Choose the Correct Option:

2×5=10

A Company introduced a new product with advanced technology in a product market where there is huge competition with many competitors having an individual market share of 5% to 10%.

A survey of the present market estimates that demand will increase by 80,000 units per year. The company is presently targeting 50% of the additional market demand as competitors will need at least two years to match its product.

Direct Cost per unit of product at present rate:

Material Cost ₹ 75

Labour Cost ₹ 55.

Overheads are absorbed based on normal capacity.

Selling and Distribution Overheads – ₹ 8.00

Selling Price per unit – ₹ 225

The following relevant information for Factory Overhead is given below:

Production Departments – Normal Monthly Capacity – 25,000 machine hours

Monthly allocated Fixed Overheads – ₹ 75,000

Full Overhead Cost Rate per hour – ₹ 11.50

Hours consumed by the product – 3

You are required to indicate the correct option for the following:

(xi) Fixed Factory Overhead Cost per unit is:

- (A) ₹ 9.00
- (B) ₹ 3.00
- (C) ₹ 12.00
- (D) ₹ 11.50

(xii) Variable Factory Overhead per unit is:

- (A) ₹ 11.50
- (B) ₹ 20.50
- (C) ₹ 25.50
- (D) ₹ 34.50

(xiii) Total Factory Overhead per unit is:

- (A) ₹ 11.50
- (B) ₹ 20.50
- (C) ₹ 25.50
- (D) ₹ 34.50

(xiv) Total Cost per unit of the product is:

- (A) ₹ 200.50
- (B) ₹ 172.50
- (C) ₹ 52.50
- (D) ₹ 225.00

(xv) Profit per unit of the product is:

- (A) ₹ 200.50
- (B) ₹ 172.50
- (C) ₹ 52.50
- (D) ₹ 225.00

SECTION B

(Answer any 5 questions out of 7 questions given below.

Each question carries 14 marks.)

14×5=70

2. (a) State the main purposes of Cost Audit. 7
- (b) As per the Companies (Cost Records and Audit) Rules, 2014, enumerate the particulars relating to the items of Costs to be included in the Books of Accounts in respect of Repairs and Maintenance. 7
3. (a) Mention the steps to be taken by Cost Auditor before accepting appointment as per Companies (Cost Records & Audit) Rules, 2014. 7
- (b) What are the factors the Cost Auditor should consider in Planning Cost Audit Assignment? 7
4. (a) Find the cost of Material, imported by a Company on September, 2025 based on the data given below: (as per CAS 6).
- (i) Purchase of Material \$ 1,80,000
- (ii) Forward conversion rate
 - On the date of contract \$ = ₹ 85.30
 - On the date of import \$ = ₹ 86.45
 - On the date of bill payment \$ = ₹ 87.10
- (iii) Freight = ₹ 1,50,600 (inclusive)
- (iv) Import Duty = 5 % of Material cost,

- (v) Demurrage for delayed clearance = ₹ 75,000,
- (vi) Import subsidy = ₹ 3,00,000,
- (vii) Bank charges for Letter of Credit = ₹ 30,000. 7
- (b) A company purchased Equipment for ₹ 20 crore and Insurance Spare for ₹ 2 Crore. After use for five years, the equipment broke down and a part was replaced with the aforesaid Insurance Spare. After five years, the depreciated value of equipment is ₹ 10 crore. The depreciated value of new spare is ₹ 1 crore. The old spare was reconditioned and the cost of reconditioning is ₹ 20 lakh. As per estimated life of the old spare for future economic benefits, the current market value of the reconditioned old spare has been estimated at ₹ 50 lakhs. Analyse what treatment is to be done in respect of repairs and maintenance as per CAS-12 and also calculate the amount. 7
5. (a) A Company Ltd. showed a profit for the year 2024-25 as ₹ 17,73,350. During the course of Cost Audit, the followings transactions were noticed in financial records:
- (i) An old machine with net value of ₹ 3,27,000 was sold off for ₹ 4,65,000.
- (ii) Dividend income was received amounting to ₹ 42,250 from investments.
- (iii) A sum of ₹ 29,000 was spent towards CSR commitment.
- (iv) The company was engaged in trading activity where purchase of goods was ₹ 6,75,000 and sales was ₹ 6,71,150 after incurring ₹ 20,400 as expenditure.
- (v) Some renovation work was carried out at a cost of ₹ 3,87,500 and its useful life was only for five years.
- (vi) The closing inventory of raw material was undervalued by ₹ 14,800 and that of finished goods was overvalued by ₹ 32,700 in the financial records.
- Work out the Profit as per the Cost Accounts. 7
- (b) State the investigation methodology of Forensic Audit. 7
6. (a) Explain the provisions of Section 17 of the Prevention of Money Laundering Act, 2002, with respect to Power of Search and Seizure by the Authority. 7
- (b) What are the Techniques of Management Audit? — Explain. 7

7. (a) What are the steps in an IT Security Audit? — Explain. 7
(b) Explain Benefits of Environmental Auditing. 7
8. (a) Draft Internal control questionnaire relating to Inventory. 7
(b) List out the important points to be considered in receipt and payment verification while conducting audit of Hotels. 7
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