

**FINAL EXAMINATION**

June 2026

**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 on the audit of cost records is submitted by the Cost Auditor to
- (A) Managing Director
  - (B) Finance Director
  - (C) Audit Committee
  - (D) Board of Directors
- (ii) The applicability of cost audit under Companies (Cost Records & Audit) Rules, 2014 for regulated industries having overall annual turnover during immediate preceding financial year is \_\_\_\_\_.
- (A) ₹ 25.00 crore or more
  - (B) ₹ 35.00 crore
  - (C) ₹ 50.00 crore or more
  - (D) ₹ 100.00 crores
- (iii) Which of the following Cost Accounting Standards, explains the treatment of Cost of Service Cost Centre?
- (A) CAS-1
  - (B) CAS-12
  - (C) CAS-13
  - (D) CAS-14
- (iv) CAS 8 deals with Cost Accounting Standard related to
- (A) Material Cost
  - (B) Cost of Utilities
  - (C) Packaging Cost
  - (D) Employee Cost

- (v) As per CAS 23, the activity of Overburden Removal that benefits the identified component of an ore to be mined by the entity is called as \_\_\_\_\_.
- (A) Mining Activity
  - (B) Overburden Removal
  - (C) Stripping Activity
  - (D) Advance Stripping
- (vi) Which of the following documents is not included as the working papers to be obtained and retained by the cost auditor in connection with the performance of the audit or compliance function?
- (A) Production schedule
  - (B) Quantitative data
  - (C) Market competition trends
  - (D) Statistical data
- (vii) Form CRA 3 pertains to
- (A) Form of Filing Cost Audit Report.
  - (B) Cost Accounting Records.
  - (C) Form of Cost Audit Report.
  - (D) Form of intimation of appointment of Cost Auditor.
- (viii) Internal controls and internal checks are
- (A) one and the same.
  - (B) different.
  - (C) internal control includes internal checks.
  - (D) None of the above.
- (ix) Which of the following is not a feature of Operational Audit?
- (A) Risk Identification, Process improvement objective
  - (B) Transaction Based
  - (C) Process Based
  - (D) Accountability for performance improvement results

- (x) The primary objective of anti-money laundering regulations is to
- (A) reduce marketing costs.
  - (B) prevent the conversion of illegal funds into legal assets.
  - (C) increase production efficiency.
  - (D) minimise tax payment only.

**(b) Choose the Correct Option:**

2×5=10

A company is operating at 60% capacity with a Turnover of ₹ 90 lakhs.

- (I) Prime Cost — 60% of Sales Value
- (II) Administrative and Selling Expenses — ₹ 10 lakhs
- (III) Factory Overhead will vary according to operating capacity as given below:

Operating Capacity	60%	80%	100%
Factory Overhead (₹ Lakh)	17.00	21.50	24.50

The Company has received an export order with some modifications and the execution of the same will involve 40% of the capacity resulting in utilisation of 100% of capacity. The prime cost of the Export Order is estimated as ₹ 14 lakh. Shipping expenses will be ₹ 2.50 lakh.

The profit percentage for the Export Order is same as the Profit Percentage of Domestic Sale.

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

- (xi) Total Cost of Sales for the Domestic Sale at 60% Capacity:
- (A) ₹ 81 lakh
  - (B) ₹ 72 lakh
  - (C) ₹ 90 lakh
  - (D) ₹ 85 lakh
- (xii) Profit Percentage on Sales at 60% capacity for the Domestic Sale:
- (A) 10%
  - (B) 11%
  - (C) 12%
  - (D) 13%

- (xiii) Total Cost of Sales for the Export Order:  
(A) ₹ 24.50 lakh  
(B) ₹ 24.00 lakh  
(C) ₹ 38.50 lakh  
(D) ₹ 41.00 lakh
- (xiv) Profit for the Export Order:  
(A) ₹ 2.40 lakh  
(B) ₹ 2.67 lakh  
(C) ₹ 3.00 lakh  
(D) ₹ 3.50 lakh
- (xv) Minimum Price to be quoted for the Export Order:  
(A) ₹ 24.00 lakh  
(B) ₹ 27.00 lakh  
(C) ₹ 26.67 lakh  
(D) ₹ 28.00 lakh

**Section – B**

**(Answer any five questions out of 7 questions given below.**

**Each question carries 14 Marks)**

**14×5=70**

2. (a) **Define** Cost Audit and specify the Scope and Social Objectives of Cost Audit. 7  
(b) **Enumerate** the items of Finance Costs that should be included in Cost Records as per the Companies (Cost Records and Audit) Rules, 2014 specifying the principle of how the Finance Costs are assigned to the cost objects. 7
3. (a) **Prepare** a list of the activities of a Cost Accountant in practice , which are considered as Professional misconduct as per the Part I of the First Schedule of the Cost and Works Accountants Act, 1959, in relation to Cost Accountants in Practice. 7  
(b) You have been appointed as a Cost Auditor. **Identify** the factors which will be taken into consideration in planning the audit assignment. 7



5. (a) The following figures are obtained from the Cost Accounting Records of a single product manufacturing company:

Year ended 31st March	2026	2025
	Amount in ₹ lakh	
Net Sales	4,800	3,840
Other Income	300	200
Increase in Value of Stock of Finished Goods	20	10
Raw Materials Consumed	1,760	1,440
Direct Wages, Salaries, Bonus, Gratuity etc.	440	352
Power and Fuel	240	192
Stores and Spares	160	140
Cess and Local Taxes	120	100
Other manufacturing Overheads	430	370
Administrative Overheads:		
Audit fees	36	30
Salaries and Commission to Directors	48	40
Other Overheads	260	220
Selling and Distribution Overheads:		
Salaries and Wages	36	30
Packing and Forwarding	20	16
Other Overheads	250	200
Total Depreciation	120	120
Interest Charges:		
On Working Capital Loans from Bank	60	25
On Fixed Loans from IDBI	90	70
On Debentures	30	30
Provision for Taxes	316	200
Proposed Dividends	420	230

You are required to **calculate** the value addition as stipulated PART-D, PARA-3 of the Annexure to Cost Audit Report under the Companies (Cost Records and Audit) Rules, 2014 for the year ended March 31, 2026 and March 31, 2025. 7

- (b) **Explain** the meaning of corporate fraud and discuss the major causes leading to corporate fraud in modern business organisations. 7

6. (a) **Discuss** the objectives and key functions of the Financial Intelligence Unit–India (FIU-IND) in combating money laundering. 7
- (b) **Explain** the Management Audit Report and the **characteristics** of a good Management Audit Report? 7
7. (a) **What** is Corporate Image? **Develop** strategy regarding how to build a positive image. 7
- (b) **Explain** Performance Analysis and list out the specific metrics or goals, a company might consider during a Performance Analysis. 7
8. (a) **Describe** the objectives of Operational Audit. Analyse the advantages and disadvantages of Operational Audit. 7
- (b) **Develop** an Audit Programme for the Audit of Hospitals. 7
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