



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17

SET - 2
TERM – DECEMBER 2025
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.

SECTION – A (Compulsory)

1) Choose the correct option:

[15 × 2=30]

- a) (i) Cost Accounting Standards (CAS) are relevant in cost audit because they:
- Are legally binding on all companies without exception
 - Provide a uniform basis for cost measurement and disclosure for comparability
 - Replace generally accepted accounting principles entirely
 - Are only relevant for financial audit
- (ii) The form in which the cost records shall be maintained:
- CRA-1
 - CRA-2
 - CRA-3
 - CRA-4
- (iii) A factory pays basic ₹8,00,000, DA ₹2,00,000, bonus ₹80,000, and PF ₹96,000. What is total employee cost as per CAS-7?
- ₹ 10,00,000
 - ₹ 11,06,000
 - ₹ 10,80,000
 - ₹ 11,76,000
- (iv) CAS 10 deals with direct expenses. Which of the following expenses can be classified as direct expenses?
- Royalties on production
 - Salaries of factory security staff
 - Rent of office building
 - Power used in administration
- (v) A cost auditor must submit his report to:
- Shareholders directly
 - Board of Directors
 - Registrar of Companies
 - Audit Committee only



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17

SET - 2
TERM – DECEMBER 2025
SYLLABUS 2022

COST AND MANAGEMENT AUDIT

- (vi) Which of the following is least likely to be part of a cost audit programme?
- Verification of cost records
 - Checking compliance with CAS
 - Cross-verification of inventory valuation
 - Calculation of EPS
- (vii) The responsibility to ensure timely filing of the cost audit report with the Central Government lies with:
- Cost Auditor
 - Company Secretary
 - MD or Whole-time Director
 - Audit Committee
- (viii) The main objectives of investigation are:
- To discover errors and frauds.
 - To prevent errors and frauds.
 - To verify statements.
 - All the above.
- (ix) Who appoints the auditor for the Government Company?
- Board of Directors
 - Audit Committee
 - C&AG
 - CBDT
- (x) Various frauds in the banking sector are:
- Appraisal fraud.
 - Mortgage fraud.
 - Shot gunning.
 - All of the above.
- b)** ABC Co. has planned for an investment of ₹800.00 lakh with a 50% Loan from Banks at 10% interest. Direct Cost for the year ₹480.0 lakhs and 50% of which is Material cost. Other expenses are at ₹80.0 lakh. The goods will be sold at 150% of the direct cost. The tax rate is assumed at 50%.

Answer the following five questions based on the above case study

- (xi) What is the net profit margin?
- 8.33%
 - 6.45%
 - 12.33%
 - 10.19%



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17

SET - 2
TERM – DECEMBER 2025
SYLLABUS 2022

COST AND MANAGEMENT AUDIT

- (xii) Calculate the Return on Assets.
- 5%
 - 7.5%
 - 9.4%
 - 10%
- (xiii) Determine the assets turnover.
- 0.7
 - 0.8
 - 0.95
 - 0.9
- (xiv) What is the Return on owners' equity?
- 12%
 - 15%
 - 18%
 - 20%
- (xv) What is the Inventory turnover?
- 14.45%
 - 28.24%
 - 33.33%
 - 42.19%

SECTION – B

Answer any 5 questions out of 7 questions given. Each question carries 14 marks. [5 × 14 = 70]

- 2) (a) Explain the concept of Cost Accounting Standards (CAS). [7]
- (b) Analyse the key requirements for maintenance of cost records under the Cost Accounting Records Rules, 2014, and list the major types of records to be maintained by a company. [7]
- 3) (a) Explain the duties of a Cost Auditor to report fraud as per Section 143 of the Companies Act, 2013. [7]
- (b) Discuss the steps involved in filing a Cost Audit Report in XBRL format on the MCA portal. Highlight the process from creation of the XBRL instance document to submission of Form CRA-4. [7]



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17

SET - 2
TERM – DECEMBER 2025
SYLLABUS 2022

COST AND MANAGEMENT AUDIT

- 4) (a) The following data have been available of Sunflag Dolon Limited:

	2020 - 21	2021 - 22	2022 – 23
Installed Capacity—Ton	250	250	250
Production—Ton	240	230	125
Cost Per Ton (₹)	1,000	1,077	1,660

The poor capacity utilisation in 2022-23 was due to abnormal power-cut. The escalation in costs were 5% in 2021- 22 and 7% in 2022-23 based on 2020-21

- (i) Calculate the abnormal cost due to power cut.
(ii) How would you treat this abnormal cost? [7]
- (b) Burnet Ltd., a manufacturing unit, provides the following extracts from its records for the year ended March 31, 2025:

The Company's specifications capacity for a machine per hour	1,500 units
No. of shifts (each shift of 8 hours) per day	3 shifts
Paid Holidays in a year (365 days):	
(i) Sunday	52 days
(ii) Other holidays	12 days
Annual maintenance is done within these holidays	—
Preventive weekly maintenance for the machine is carried on during Sundays	—
Normal idle capacity due to lunchtime, shift changes etc. per shift	1 hour
Production based on sales expectancy in past 5 years (units in lakh):	
Year 1	75.70
Year 2	87.42
Year 3	65.38
Year 4	77.97
Year 5	76.08
Actual Production for the year (units in lakh)	81.50

You are required to calculate:

- (i) Installed Capacity
(ii) Practical Capacity
(iii) Actual Capacity (%)
(iv) Normal Capacity
(v) Idle Capacity (%)
(vi) Abnormal Capacity

Keeping in view of the relevant Cost Accounting Standard (CAS-2).

[7]



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17

SET - 2
TERM – DECEMBER 2025
SYLLABUS 2022

COST AND MANAGEMENT AUDIT

5. (a) In the Financial Accounts of Chemicals & Fertilizers Ltd. for the year ended March 31, 2025 the profit was ₹8,98,07,500. 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.

	Financial Accounts ₹'000	Cost Accounts ₹'000
Opening : Semi Finished Goods	31700	35210
: Finished Goods	83220	78590
Closing : Semi Finished Goods	35260	39420
: Finished Goods	89320	80450
Urea & Transport subsidy	348	
Expenses on CSR	56	
Profit on sale of Fixed Assets	150	
Chemical used internally	382	365
Favourable Exch. Rate variation	294	
Post-retirement Medical grant	584	
Purchase Tax Refund	453	
Litigation Recovery-Prior year	125	

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

- (b) Explain the major threats to auditor independence in the auditing profession. Discuss each type of threat with suitable examples and discuss how these threats can compromise the auditor's objectivity and professional ethics. [7]
6. (a) Explain the Power of Search and Seizure under Section 17 of the Prevention of Money Laundering Act (PMLA), 2002. Who is authorized to exercise these powers, and what actions can be taken during such search and seizure operations? [7]
- (b) Discuss the scope of Corporate Development Audit. [7]
7. (a) Summarise the objectives of management audit. [7]
- (b) A company is operating at 60% capacity with a turnover of ₹86.40 lakhs.
- (i) If the Company works at 100% capacity, the sales-cost relation is: Factory Cost is two-thirds of sales value and Prime Cost is 75% of Factory Cost.
- (ii) Administrative and selling expenses (75% variable) are 20 % of sales value.
- (iii) Factory overhead will vary according to operating capacity as given below:

Operating Capacity	60%	80%	100%	120%
Factory Overhead (₹Lakhs)	19.80	21.60	24.00	30.00



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17

SET - 2
TERM – DECEMBER 2025
SYLLABUS 2022

COST AND MANAGEMENT AUDIT

The company has planned to operate at 80% capacity. Moreover, it has received an export order and the execution of the same will involve 40 % of capacity. The prime cost of the order is estimated as ₹12.00 lakhs and the shipping expenses involved will be ₹2.00 lakhs. Taking the same percentage of profit on the domestic sale, Identify the minimum price to be quoted for the export order. [7]

8. (a) Explain the concept of an Audit Programme. What are the factors to be considered while preparing a detailed audit programme? Discuss its advantages and disadvantages. [7]
- (b) What are the main standards for auditing government expenditure? Explain the role of C&AG in auditing a government company. [7]