



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 17
COST AND MANAGEMENT AUDIT

SET - 1
TERM – JUNE 2026
SYLLABUS 2022

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

1. (a) **Choose the correct option from the four alternatives given in each case:** **[2×10=20]**
- (i) The report on the audit of cost records is submitted by the cost auditor to:
- (A) Finance Director
 - (B) Audit Committee
 - (C) Managing Director
 - (D) Board of Directors
- (ii) Cost Audit Report is to be filed in Form _____ on MCA portal.
- (A) CRA 1
 - (B) CRA 2
 - (C) CRA 3
 - (D) CRA 4
- (iii) A Cost Auditor found guilty of deliberately providing false report and certificate will be Liable for punishment under Section ____ of the Companies Act,2013.
- (A) Section 447
 - (B) Section 437
 - (C) Section 448
 - (D) Section 427
- (iv) Which of the following is not part of the Employee Cost as per CAS-7?
- (A) Leave with pay
 - (B) Medical benefit to the Employees and dependants
 - (C) Compensation for Lay Off period
 - (D) Cost of Employees' Stock option
- (v) Overall Objectives of the Independent Cost Auditor and conduct of an Audit in accordance with Cost auditing Standard is dealt in
- (A) Cost auditing Standard 101
 - (B) Cost auditing Standard 102
 - (C) Cost auditing Standard 103
 - (D) Cost auditing Standard 101
- (vi) Means the material including working papers prepared by and for or obtained and retained by the cost auditor in connection with the performance of the audit.
- (A) Audit Process
 - (B) Audit Working Paper
 - (C) Audit File
 - (D) Audit Documentation



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- (vii) Which of the following is a pre-requisite before filing the Cost Audit Report and Compliance Report on MCA Portal?
- (A) Validating the instance document
 - (B) Pre-scrutiny of the instance document
 - (C) Use available tool to convert the instance document in a human readable pdf format
 - (D) Attaching the instance document to the e-Form and filing on MCA portal.
- (viii) Main purpose of evaluating internal control in cost audit?
- (A) Detect tax fraud
 - (B) Reduce audit scope
 - (C) Assess data reliability
 - (D) Verify shareholding pattern
- (ix) Test Checking is done when there is an effective of _____
- (A) Internal Control
 - (B) Internal Audit
 - (C) Internal Check
 - (D) Both (a) and (b)
- (x) When intellectual property is stolen, or private client information is illegally distributed, this constitutes -----.
- (A) Corporate Espionage
 - (B) Corporate Scandal
 - (C) Corporate Negligence
 - (D) Corporate Malpractice

(b) Choose the Correct Option:

[2×5=10]

PQR Ltd., has planned for an investment of ₹1,000 lakhs with a 60% loan from Banks at 10% interest. Direct Cost for the year ₹600 lakhs and 50% of which is Material Cost. Other expenses are at ₹90 lakhs. The goods will be sold at 150% of the direct cost. The tax rate is assumed at 30%.

- (i) The Gross Profit Margin of PQR Ltd.:
- (A) 33.33%
 - (B) 50.00%
 - (C) 40.00%
 - (D) 25.00%
- (ii) The Net Profit Margin of PQR Ltd.:
- (A) 33.33%
 - (B) 11.67%
 - (C) 15.00%
 - (D) 25.00%



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- (iii) Return on Assets of PQR Ltd.,
(A) 10.50%
(B) 12.50%
(C) 15.00%
(D) 25.00%
- (iv) Return on Equity of PQR Ltd.,
(A) 25.00%
(B) 26.25%
(C) 32.00%
(D) 22.50%
- (v) Asset Turnover of PQR Ltd.,
(A) 0.80
(B) 0.70
(C) 0.90
(D) 1.00

SECTION – B

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

2. (a) In the light of the liberalization of the economy and consequential globalization there is enhanced need for providing authentic data to the government to regulate the demand and supply in the country through a price control mechanism. List the benefits of cost information highlighted by the Expert Committee formed by the Government of India to study the Cost Audit Scenario. [7]
- (b) In the Cost Audit Report (Form CRA-3), the cost auditor specifically certifies compliance with the Cost Accounting Policy. Identify the areas which are covered by the cost accounting policy. [7]
3. (a) Explain the Cost Auditor's Eligibility criteria under Section 141 of the Companies Act, 2013 read With Rule 10 of the Companies (Audit and Auditors) Rules, 2014 and Section 148 of the Companies Act, 2013. [7]
- (b) What are the stages of Audit? Explain analysing the stages. [7]
4. (a) Standard Material requirement to produce 1,000 units of Product X is 1,200 units of material at a standard price of ₹ 70 per unit. The Standard allows for reject of 25% of input. It is estimated that one third of rejects can be reworked at an additional cost of ₹15 per unit. Scrap units can be sold at ₹ 6 per unit. During a particular period, units produced were 19,500 with 24,000 units of materials at standard cost of ₹ 70 per unit. 6,000 units were rejected out of which 1,500 units were reworked at a cost of ₹ 54,000. The balance units were sold as scrap for ₹ 6 per unit.
Calculate Material Quality Variance, Usage and Scrap Variance. [7]



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- (b) ABC Ltd. Manufactures two products AA and BB. The following information is provided for the two products for the year ended March 31, 2026

<u>Particulars</u>	<u>Product AA</u>	<u>Product BB</u>
Units Produced (Qty. Nos.)	2,50,000	1,75,000
Units Sold (Qty. Nos.)	1,75,000	1,50,000
Machin Hrs. Utilised	1,40,000	80,000
Design Charges (₹)	1,60,000	1,90,000
Software Development Charges (₹)	2,50,000	3,00,000

Royalty paid on Sales of ₹3,25,000 Units – ₹ 9,75,000 (@ ₹3 per unit)

Royalty paid on Production ₹4,25,000 Units – ₹ 4,25,000 (@ ₹ 1 per unit)

Hire Charges of a special equipment used in manufacturing product BB ₹75,000.

You are required to compute Direct Expenses (as per CAS-10).

No adjustment has to be made for closing stock.

[7]

5. (a) The financial profit and loss account for the year 2024-25, of a company shows a net profit of ₹35,60,000. During the course of Cost Audit, it was noticed that:
- The company was engaged in trading activity by purchasing goods at ₹ 7,00,000 and selling it for ₹8,50,000 after incurring repacking cost of ₹ 50,000
 - Some discarded assets sold off with no scrap value for ₹ 1,00,000
 - Some renovation of machinery was carried out at a cost of ₹ 7,00,000, having a productive life of five years, but entire amount was charged to financial accounts.
 - Interest was received amounting to ₹ 1,50,000 from outside Investments.
 - Voluntary Retirement payment of ₹ 4,00,000 was not included in the Cost Accounts.
 - Insurance claim of previous year was received to the extent of ₹ 3,50,000 but was not considered in the Cost Accounts
 - Opening Stock of raw materials and finished goods was overvalued by ₹ 3,40,000 and Closing Stock of finished goods was overvalued by ₹ 1,20,000 in the financial accounts, and
 - Donation of ₹ 90,000 towards CSR commitment was not considered in the Cost Accounts.

Calculate the profit as per the Cost Accounts by preparing a Reconciliation Statement.

[7]

- (b) What do you mean by Forensic Audit? What are the Common Areas of Forensic Audit. Explain.

[7]

6. (a) Summarise the steps for Prevention of Anti Money Laundering compliance process.

[7]

- (b) Explain Energy Audit and its role as a part of Management Audit.

[7]



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7. (a) Discuss the various approaches to be taken by the Management Auditor to evaluate the Corporate Image of the Company and the techniques available. [7]
- (b) Explain Performance Analysis and List out the specific metrics or goals, a company might consider during a Performance Analysis. [7]
8. (a) What are the Objectives of Internal Control? Distinguish the key differences between Internal Audit and Internal Control. [7]
- (b) You are appointed as a Cost Auditor of an Educational Institution. Develop an Audit Programme for the audit of Educational Institution. [7]