



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

SET - 2
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) Every Cost Auditor, who conducts an audit of the cost records of a company, shall submit the cost audit report along with its/his reservations or qualifications or observations or suggestions, if any, in form:
- (a) CRA-1
 - (b) CRA-2
 - (c) CRA-3
 - (d) CRA-4
- (ii) As per Companies (Cost Records and Audit) Rules, 2014, the amount of royalty fee paid for mining rights shall form part of the _____.
- (a) Cost of Sales
 - (b) Cost of Production
 - (c) Cost of Material
 - (d) Cost of Labour
- (iii) Which of the following type of Electricity Company is under the purview of regulated sector?
- (a) Engaged in Generation.
 - (b) Engaged in Transmission.
 - (c) Engaged in Distribution and Supply.
 - (d) All of the above.
- (iv) The principles and methods of measurement and assignment of Quality Control Cost, is dealt by CAS:
- (a) CAS-20
 - (b) CAS-21
 - (c) CAS-22
 - (d) CAS-23
- (v) These are the documents which records all audit evidence obtained during audit:
- (a) Audit Working Papers
 - (b) Audit File
 - (c) Audit Documentation
 - (d) Audit Notebook



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- (vi) Penalty paid to PF authorities is _____ in employee cost
- (a) Included
(b) Excluded
(c) Based on individual case
(d) Partly included
- (vii) Cost Audit is a verification of cost records to estimate the _____ efficiency of a business.
- (a) External
(b) Internal
(c) Both Internal and External
(d) None of the above.
- (viii) Which Category of internal control is exercised through 'Management Accounting' techniques viz budgeting control, standard costing etc.,
- (a) Administrative Control
(b) Operational Control
(c) Financial and Accounting Control
(d) Compliance Control
- (ix) Who can be appointed as Internal Auditor, for a Service Provider Company?
- (a) Chartered Accountant
(b) Cost Accountant
(c) Other Professionals as may be decided by the Board
(d) Any of the above
- (x) The process of making money earned through illegal methods to look legal is called as:
- (a) Money Laundering
(b) Financial Theft
(c) Securities Theft
(d) Tax Evasion

(b) Choose the Correct Option:

[2×5=10]

The following are the summarised Balance Sheet and Income Statement of ABC Ltd., which is selling Cement and Clinkers.

Income Statement for the year ended on 31.03.2025

	(Amount in ₹ '000s)
Sales	10,800
Cost of Goods Sold	8,500
Less: Administration & Selling Overheads	850
Interest	300
Tax	380
Earnings after Tax	770



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Balance Sheet as on 31.03.2025

(Amount in '000s)

Liabilities	Amount	Assets	Amount
Share Capital	1,500	Net Fixed Assets	6,500
Reserves and Retained Earnings	3,800	Current Assets:	
Loan from Bank	1,900	Inventory	1,800
Short Term Loan	1,100	Trade Receivables	900
Trade Payables	1,000	Cash	800
Other Current Liabilities	700		
Total	10,000	Total	10,000

Choose the correct option based on the above information:

(xi) Current Ratio of ABC Ltd.,

- (a) 1.25 times
- (b) 1.10 times
- (c) 1.00 time
- (d) 1.50 times

(xii) Inventory Turnover Ratio of ABC Ltd.,

- (a) 4.00 times
- (b) 4.67 times
- (c) 4.72 times
- (d) 4.50 times

(xiii) Return on Total Assets of ABC Ltd.,

- (a) 7.20%
- (b) 7.00%
- (c) 7.50%
- (d) 7.70%

(xiv) Interest Coverage Ratio of ABC Ltd.,

- (a) 4.83 times
- (b) 4.38 times
- (c) 3.48 times
- (d) 4.00 times

(xv) Debt Equity Ratio of ABC Ltd.,

- (a) 0.30:1
- (b) 0.36:1
- (c) 0.40:1
- (d) 0.45:1



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SECTION – B

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

2. (a) What do the Cost Accounting Standards provide? [7]
- (b) List out the records which would form part of the Cost Accounting Records. [7]
3. (a) Discuss the Rights and Duties applicable to Cost Auditor as per Sec.148 of the Companies Act,2013, read with Companies (Cost Records and Audit) Rules,2014. [7]
- (b) You have been appointed as a Cost Auditor, identify the factors will be taken into consideration in planning the audit assignment? [7]
4. (a) A plant operates 3 shifts of 8 hours each for all days except Sundays and 12 holidays. Preventive maintenance is taken care on Sundays and annual maintenance in 12 holidays. Normal idle time for food, shift change and other work for the workers is 1 hour per shift. Installed Capacity of the machine - 1,300 units per hour. Production during last 5 years and Current year are: 68.50,71.60,71.20,70.80,70.50 and 69.50 lakh units.
Calculate the following according to CAS 2:
(i) Installed Capacity
(ii) Actual Capacity
(iii) Idle Capacity
(iv) Abnormal Idle Capacity [7]
- (b) A Company purchased equipment for ₹ 12 crore and the insurance spare (high value) spare was ₹ 1 Crore. If the Company is covered under Ind AS, such spare is capitalised as Property, Plant and Equipment. After use for 5 years, the equipment broke down and a part was replaced with the aforesaid insurance spare. After 5 years, the depreciated value of equipment is ₹ 6 Crores. As Property, Plant and Equipment are depreciated when they are available for use, accordingly, the depreciated value of new spare is ₹50 lakh. The old spare was reconditioned and the cost of reconditioning is ₹ 10 lakh. As per the estimated life of the old spare for future economic benefits, the current market value of the reconditioned old spare has been estimated at ₹ 25 lakh.

Summarise the Depreciated Value of Equipment and Spare and the amount to be treated in Repairs and Maintenance. (As per CAS 12). [7]



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5. (a) The following is the abridged comparative Balance Sheets of M/s. XYZ Ltd., a manufacturing company for two years as on March 31, 2024 and 2025. (₹ in lakh)

Particulars	2024-25	2023-24
1.Share Capital	7,500	3,650
2.Reserves & Surplus	7,250	5,200
3. Long term Borrowings	12,400	8,850
4. Current Liabilities	7,260	3,650
	34,410	21,350
5.Net Fixed Assets (with WIP)	12,810	6,950
6. Investments	1,650	1,020
7.Current Assets	19,950	13,380
	34,410	21,350
Profit Before Tax	2,950	2,180

You are required to compute the selective following ratios as stipulated in PART-D, PARA-4 to the Annexure of Cost Audit Report under the Companies (Cost Records and Audit) Rules, 2014 for the year ended March 31, 2025:

1. Capital Employed
 2. Net Worth
 3. PBT to Capital Employed
 4. Debt Equity Ratio
 5. Current Assets/Current Liabilities [7]
- (b) Explain the necessity of Forensic Audit in the industry. [7]
6. (a) Identify the powers of Enforcement Directorate (E.D.) to enforce the provisions of Prevention of Money Laundering Act.? [7]
- (b) What are the functions of Management Audit? [7]
7. (a) What is 'Corporate Image'? Discuss the benefits of a Positive Image and how to build a Positive Image? [7]
- (b) List out the advantages of Manpower Planning. [7]
8. (a) Explain Operational Audit. Enumerate the Salient features of the traditional form of Internal Audit and Operational Audit. [7]
- (b) Examine the special features, to be borne in mind while conducting the Audit of Co-operative Societies? [7]