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FOR CMA FINAL EXAM PREPARATION

# CMA Final 2023 Question Paper · Paper 17 Cost and Management Audit

| EXAM | YEAR | TYPE |
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| CMA Final | 2023 | Question Paper |

| SUBJECT | DATE |
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| Paper 17 Cost and Management Audit | December 2023 |

# FINAL EXAMINATION

December 2023

*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.*

*Working notes should form part of your answer.*

## SECTION-A (Compulsory)

**1. Choose the correct option:** 2×15=30

(i) Cost Audit was first introduced for _____ industry.

(A) Cement

(B) Iron and Steel

(C) Jute

(D) Sugar

(ii) 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

(iii) Every Cost Auditor, who conducts an audit of the cost records of a company, shall submit the cost audit report in Form _____.

(A) CRA-1

(B) CRA-2

(C) CRA-3

(D) CRA-4

(iv) The appointment of Cost Auditor is defined under section _____ of the Companies Act, 2013.

(A) 148(2)

(B) 148(3)

(C) 144(3)

(D) 139

(v) As per Rule 6 of the Companies (Cost Records and Audit) Rules, 2014, the casual vacancy caused due to death of Cost Auditor to be filled within _____ days.

(A) 30

(B) 60

(C) 90

(D) 180

(vi) Cost Accounting Standard 17 deals with _____.

(A) Selling and Distribution Overheads

(B) Depreciation and Amortisation

(C) Interest and Finance Charges

(D) Research and Development Cost

(vii) The difference between the time for which employees are paid/payable to employees and the employees' time booked against cost objects is _____.

(A) Normal labour hours

(B) Working time

(C) Idle time

(D) Unpaid time

(viii) Which of the following is not part of the Employee Cost as per CAS-7?

(A) Leave with pay

(B) Medical benefits to the employees and dependents

(C) Compensation for lay-off period

(D) Cost of Employees' Stock Option

(ix) Which of the following statements is true about Management Audit?

(A) The management audit is made compulsory and statutory.

(B) Management audit is a programme of one year.

(C) Management audit cannot be conducted by an independent person.

(D) No time limit can be fixed for submission of the report under management audit.

(x) The backbone of any organisation is _____.

(A) Information

(B) Employee

(C) Management

(D) Capital

(xi) Which one of the following KPI is used to measure the productivity and efficiency of labour?

(A) Production per machine hour

(B) Contribution per unit of material

(C) Production per man-hour

(D) Growth in machine capacity utilization

(xii) The consumer service audit critically examines:

(A) Outstanding payment of consumers

(B) Price consumers are ready to pay for particular product service

(C) Appraise management of business enterprise of responsibility towards consumers

(D) Demand of a product by consumers

(xiii) Field Balance Sheet approach to Audit can be applied in case of audit of

(A) Societies registered as Club.

(B) Self-Help Group for collective earning.

(C) Local Body registered as Corporate.

(D) Cooperative Societies registered under specific law in force.

(xiv) Which of the following is not likely to be a fraud risk factor relating to management characteristics?

(A) Tax evasion

(B) Failure to correct known weakness in internal control system

(C) Adoption of conservative accounting principles

(D) High management turnover

(xv) Which of the following is not prescribed in the provision of the Prevention of Money Laundering Act, 2002?

(A) Seizure of Property

(B) Attachment of Property

(C) Confiscation of Property

(D) Life Imprisonment

## SECTION–B

(Answer *any five* questions out of seven questions given. Each question carries 14 marks.)

**2.** (a) What are the benefits of Cost Audit? 7

(b) Explain the term "Normal capacity vis a vis installed capacity" as defined in the Form CRA 1. 7

**3.** (a) State the procedure of appointment and fixing the remuneration of Cost Auditor. 7

(b) What are the important factors to be considered in planning the Cost Audit Assignment? 7

**4.** (a) Purchase of Materials ₹ 4,00,000 (inclusive of GST of ₹ 20,800; Fee on Board ₹ 18,000; Import Duty paid ₹ 12,000; Freight inward ₹ 22,000; Insurance paid for import by sea ₹ 12,000; Rebates allowed ₹ 6,000; Cash discount ₹ 4,000; Subsidy received from the Government for importation of these materials ₹ 22,000. Compute from the foregoing data the landed cost of material (i.e. value of receipt of material). 7

(b) A steel company which produces Iron Casting Pipes and Rod Iron is covered under the Cost Audit according to the Companies (Cost Records and Audit) Rules, 2014. From the expenditure data relating to 2022-23, determine the Employees Cost according to Cost Accounting Standard-7.

| Sl. No. | Particulars | In lakh (₹) |
|---|---|---|
| A | Salary, wages and other allowances | 1,700 |
| B | Bonus | 210 |
| C | Contribution to Provident Fund | 190 |
| D | Wages to contractor's employees | 350 |
| E | Employees' welfare | 140 |
| F | Abnormal cost due to strike | 128 |
| G | VRS payment for closure of Rod Iron section of the plant to the extent not amortized | 112 |
| H | Compensation paid against the past periods against Court order | 225 |
| I | Arrear Salary for the year 2021-22 | 97 |
| J | Remuneration of Full-time Director | 85 |

7

**5.** (a) ABC Ltd. showed a profit for the year 2022-23 as ₹ 37,46,700. During the course of Cost Audit, the following transactions were noticed:

(i) An old machine with net value of ₹ 7,54,000 was sold off for ₹ 10,50,000.

(ii) Dividend income was received amounting to ₹ 97,500 from investments.

(iii) A sum of ₹ 67,000 was spent towards CSR commitment.

(iv) The company was engaged in trading activity where purchase of goods was ₹ 14,50,000 and sales was ₹ 14,42,700, after incurring ₹ 40,500 as expenditure.

(v) Some renovation work was carried out at a cost of ₹ 8,50,000 and its useful life was only for five years.

(vi) The closing inventory of raw material was undervalued- ₹ 28,000 and that of finished goods was overvalued- ₹ 67,800 in the financial records.

Work out the Profit as per the Cost Accounts. 7

(b) In a company, the Management on a source information, is of the view that there is embezzlement of cash receipts. As a Forensic Auditor how would you proceed to verify? 7

**6.** (a) The Cost Audit Report in CRA 3 as submitted by the Cost Auditor contains more of Management Audit Basics than mere data of production and services. Comment on the same justifying reasons. 7

(b) What is Cyber Security and Computer Forensics? Explain the difference between the two. 7

**7.** (a) XYZ Ltd., has planned for an investment of ₹1,000 lakh with a 50% loan from Banks at 12% interest.

Direct Cost for the year ₹ 580 lakhs, 50% of which is Material Cost.

Other expenses are at ₹ 100 lakh. The goods will be sold at 150% of the direct cost.

The tax rate is assumed at 30%.

You are required to determine:

(i) Net profit margin

(ii) Return on Assets

(iii) Return on owner's equity

(iv) Asset Turnover

(v) Inventory Turnover 7

(b) How do you evaluate the Personnel Development? Explain in detail. 7

**8.** (a) What is the necessity of Internal Audit? Explain. 7

(b) State the special steps to be taken by the Auditor related to the audit of an Educational Institution and that of students. 7

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