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FOR CMA FINAL EXAM PREPARATION

CMA Final 2024 Question Paper · Paper 17 Cost and Management Audit

EXAM	YEAR	TYPE
CMA Final	2024	Question Paper

SUBJECT	DATE
Paper 17 Cost and Management Audit	June 2024

FINAL EXAMINATION

June 2024

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) As per Rule-4(3) of Companies (Cost Records & Audit) Rules, 2014, the requirement for cost audit shall not apply to a company whose revenue from exports, in foreign exchange, exceeds _____ per cent of its total revenue even though it is covered in Rule 3.

(A) 50%
(B) 60%
(C) 75%
(D) 80%

(ii) As per Section 141(3) read with Rule 10 of Company (Audit and Auditor) Rule, 2014, a person who has been convicted by a court of an offence involving fraud and a period of _____ years has not elapsed from the date of such conviction, is disqualified and not eligible for appointment as a Cost Auditor of a company.

(A) 10
(B) 5
(C) 7
(D) 2

(iii) Cost of Repairs and Maintenance is measured as per principles and methods defined under _____.

(A) Cost Accounting Standard 17
(B) Cost Accounting Standard 12
(C) Cost Accounting Standard 13
(D) Cost Accounting Standard 8

(iv) As per Cost Accounting Standard -2, the difference between installed capacity and normal capacity is _____.

(A) Normal Idle Capacity

(B) Abnormal Idle Capacity

(C) Normal Capacity

(D) Actual Capacity

(v) The susceptibility of an assertion about the measurement, assignment or disclosure of cost to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls, is called as _____.

(A) Inherent Risk

(B) Control Risk

(C) Detection Risk

(D) Material Risk

(vi) Cost Auditing Standard 103 deals with _____.

(A) planning an Audit of Cost Statements.

(B) documentation of Audit of Cost Statements, Records etc.

(C) overall objectives of the Independent Cost Auditor and the Conduct of an Audit.

(D) Knowledge of Business, its processes and the Business Environment.

(vii) Cost of Self-generation Utilities for own consumption shall comprise of _____.

(A) Administrative Overheads

(B) Distribution Cost

(C) Factory Overheads

(D) None of the above

(viii) Several Checks and Controls exercised in a business to ensure its efficient working is known as _____.

(A) Internal Check

(B) Internal Control

(C) Internal Audit

(D) Interim Check

(ix) In planning a cost audit, the Cost Auditor's knowledge about the design of internal control activities should be used to _____.

(A) identify the types of possible misstatements that could occur.

(B) assess the operational proficiency of internal control.

(C) determine whether controls can be circumvented by collusion.

(D) document the assessed level of control risk.

(x) Whoever commits the offence of money-laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but which may extend to _____.

(A) three years.

(B) five years.

(C) seven years.

(D) ten years.

(b) T Ltd., is a newly started company. It has the following forecast figures for its first year of trading: 2×5=10

Sales	₹ 40,00,000
Purchases	₹ 32,00,000
Average Receivables	₹ 3,20,000
Average Inventory	₹ 4,50,000
Average Payables	₹ 2,50,000
Average Overdraft	₹ 4,50,000
Gross Profit Margin	30%
Industry Average Data:	
Inventory Days	53
Receivables Days	23
Payables Days	47
Current Ratio	1·33

Assume there are 365 days in the year.

Choose the correct option based on above information:

(i) The Cash operating cycle for T Ltd., is _____.

(A) 65 days

(B) 59 days

(C) 29 days

(D) 88 days

(ii) Current Ratio of T Ltd. is _____.

(A) 1·10 times

(B) 1·25 times

(C) 1·00 times

(D) 1·30 times

(iii) Quick Ratio of T Ltd. is _____.

(A) 1·00 times

(B) 0·46 times

(C) 0·60 times

(D) 1·20 times

(iv) Sales to Working Capital Ratio is _____.

(A) 5·60 times

(B) 6·30 times

(C) 7·69 times

(D) 5·75 times

(v) From the above calculations and the given scenario, which one of the statements is most correct?

(A) The length of the Cash Operating Cycle is longer than the industry average, which is 45 days, and is likely to lead to liquidity problems.

(B) Liquidity position is favourable.

(C) Liquidity position is better than the industry standard.

(D) Resources are efficiently utilized.

SECTION – B

(Answer *any five* questions out of seven questions given.
Each question carries 14 marks) 14×5=70

2. (a) What is the Scope of Cost Audit? Explain. 7

(b) What is meant by 'Normal Price' with respect to Related Party Transactions in CRA-1? State the basis adopted to determine the 'Normal Price'. 7

3. (a) Can a Cost Accountant be appointed

(i) as a Key Managerial Person; or

(ii) as an Independent Director; as per the provisions of the Companies Act, 2013. Explain. 7

(b) What process is to be followed to file the reports in XBRL format? 7

4. (a)

Opening Stock of Raw Materials (5,000 units)	₹ 3,60,000
Purchase of Raw Materials (17,500 units)	₹ 14,00,000
Closing Stock of Raw Materials(3,500 units)	
Freight Inward	₹ 1,05,000
Self Manufactured Packing Material for purchased raw materials only (including share of administrative overheads related to marketing sales ₹ 12,000)	₹ 1,00,000
Demurrage charges levied by transporter for delay in collection	₹ 14,000

Normal loss of materials due to shrinkage in transit is 1% of materials purchased

Abnormal loss due to absorption of moisture before receipt of materials – 100 units

Calculate the value of Closing Stock (Average Cost Method). 7

(b) The following particulars pertaining to production of yarn are extracted from the records of BT Ltd., for the year ended on March 31,2024:

Particulars	₹ '000
Direct Material Cost per unit	3,650
Direct Wages and Salaries	1,740
Direct Expenses	550
Indirect Materials	730
Factory Overheads	970
Administrative Overheads (40% relating to production activities)	1,400
Quality Control Cost	675
Research and Development Cost	700
Interest on Working Capital	450
Sale of Scrap Realised	570

You are required to **determine** the Cost of Production for the purpose of captive consumption in terms of the Rule 30 of the Central Goods and Service Tax Rules, 2017 and as per the CAS-4 (Revised) and the Assessable Value for the purpose of paying GST on applicable transactions. 7

5. (a). The Financial Profit of RST Mills Ltd., for the year ended on March 31,2024 is ₹ 33,18,100.

As a Cost Auditor, you find the following differences between the Financial Accounts and Cost Accounts, representing items not considered in Cost Accounts:

S. No.	Particulars	₹
1.	Profit on Sale of Fixed Assets	3,05,000
2.	Loss on Sale of Investments	45,600
3.	Voluntary Retirement Compensation included in Salary & Wages in Financial Accounts	56,25,000
4.	Donation Paid	80,000
5.	Insurance Claim relating to previous year received during the year	5,28,700
6.	Profit from Retail trading activity	30,00,600
7.	Interest Income from Inter-Corporate Deposits	7,25,000
8.	Decrease in value of closing WIP and Finished goods inventory	
	As per Financial Accounts	3,92,06,480
	As per Cost Accounts	3,98,15,200

You are required to **prepare** a Reconciliation Statement between the two Accounts for the year ended on 31st March, 2024,showing Profit as per Cost Accounts. 7

(b) What is the need for Forensic Audit? Explain the Forensic Audit Procedures. 7

6. (a). Explain how Money Laundering works and enumerate the offences of Money Laundering as per Prevention of Money-Laundering Act, (PMLA), 2002. 7

(b) What are the top objectives of having a Management Audit? 7

7. (a) Enumerate and explain the Information System Audit Approaches. 7

(b) What is Productive Efficiency? How does it work and how is it different from Allocative Efficiency? 7

8. (a) Explain briefly about the Adequacy of Internal Controls. 7

(b) Discuss Audit Procedure for conducting the Audit of Self-Help Group. 7