FINAL EXAMINATION

PRACTICE TEST PAPER **TERM – JUNE 2026**

PAPER – 17 **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 x 2=30]**

(i) Cost Audit was first introduced in the year _____.

A) 1944
B) 1959
C) 1965
D) 1969

(ii) In Cost Audit Report, General Information is reported in

A) Part – A–1
B) Part – A- 2
C) Part – A-3
D) Part – A- 4

(iii) CAS-17 deals with _____ .

A) Royalty and Technical Knowhow fee
B) Interest & Financing charges
C) Research & Development Cost
D) Material Cost

(iv) Which Cost Auditing Standard requires Cost Auditor to prepare audit documentation on timely basis?

A) 101
B) 102
C) 103
D) 104

(v) Who has issued Cost Auditing Standards?

A) Cost Auditing & Assurance Standard Board
B) Cost Accounting Standard Board
C) Technical Cell
D) Internal Auditing and Assurance Standard Board

(vi) Arrange the following stages of an audit of cost statement in the correct sequence:

a. Performing
b. Planning
c. Reporting

A) a,c,b
B) a,b,c
C) b,a,c
D) b,c,a

(vii) XBRL is a language based on:
A) XBL family of languages
B) XRL family of languages
C) XML family of languages
D) XGL family of languages

(viii) Which of the following statements is not true about a continuous audit?
A) It is conducted at regular intervals.
B) It may be carried out on daily basis.
C) It is needed when the organisation has a good internal control system.
D) It is expensive.

(ix) Internal audit is conducted
A) Periodically
B) Throughout the year
C) Once in a year
D) Once in Five years

(x) If your actions are the result of misleading, intentional actions or inaction (including misleading statements and the omission of relevant information to gain an advantage, then you have committed:
A) Perjury.
B) Contempt.
C) Treason.
D) Fraud.

(b) Choose the correct option: **[2 X 5 = 10]**

Vikash Ltd., which is manufacturing consumer products, has two divisions: Assembling and Finishing. The two divisions are operating as Cost Centres. Present activities and costs involved in the Assembling Division and Finishing Division in a year are as under:

Number of Sets Assembled	14,000
Cost of Manufacturing of parts (including material)	₹ 9,00,000
Parts purchased from the market	₹ 5,00,000
Other variable overhead: Welding Cost	 ₹ 6,50,000

Assembling Cost	₹ 9,50,000
Fixed Cost for the unit	₹ 12,00,000

25% of the production of the Assembling Division is sold in the market for ₹ 400 per set and 75% is transferred to Finishing Division at ₹ 370.
The Cost incurred in Finishing Division:
Painting Cost - ₹ 6,00,000
Polishing Cost - ₹ 1,50,000
Fixed Cost - ₹ 4,50,000
The selling price per set ₹ 550
Find out the correct option in respect of the following items:

(xi) Total Sales Value for the Assembly Division:
A) ₹ 62,85,000
B) ₹ 10,85,000
C) ₹ 52,85,000
D) None of the above

(xii) Profit for Assembly Division:
A) ₹ 10,85,000
B) ₹ 52,85,000
C) ₹ 42,15,000
D) None of the above

(xiii) Total Sales Value for Finishing Division:
A) ₹ 37,75,000
B) ₹ 42,15,000
C) ₹ 48,25,000
D) ₹ 57,75,000

(xiv) Total Profit for the Company:
A) ₹ 17,75,000
B) ₹ 8,65,000
C) ₹ 9,10,000
D) ₹ 6,90,000

(xv) Profit for Finishing Division:
A) ₹ 3,70,000
B) ₹ 17,75,000
C) ₹ 6,90,000
D) ₹ 57,75,000

SECTION – B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)

[5 x 14 = 70]

2. (a) State the General Objectives of Cost Audit? **[7]**

(b) Explain the applicability criteria for cost audit as per the companies (Cost Records and Audit) Rules, 2014 along with exemption provided under these rules. **[7]**

3. (a) Identify the duties of the Cost Auditor to report Fraud as per provisions of the Companies Act, 2013. **[7]**

(b) Describe the stages of an Audit of cost statements. **[7]**

4. (a) The following information pertains to Rakesh Cement Ltd., a manufacturing cement company for the year that ended as follows:

The year ended March 31	2025-26	2024-25
Rated Capacity per Hr. (in MT)	80	80
Break down (Hrs.)	2,177	1,015
Planned Maintenance (Hrs.)	247	422
Power restrictions (Hrs.)	1,237	1,481
Shortfall (there are no orders) (Hrs.)	792	677
Want of wagons (Hrs.)	495	635
Total stoppage (Hrs.)	4,948	4,230
Total running (Hrs.)	3,888	4,582
Total available Hours	8,836	8,812
Production during the year (in MT)	2,48,844	3,29,928
Hourly Rate of Production (in MT)	64	72
Capacity Utilization (%)	62.21	82.48
Annual Installed Capacity (in MT)	4,00,000	4,00,000

Analyze the information provided above and, acting as a Cost Auditor, discuss with reason:

(i) The performance of the company

(ii) Your suggestion for improvement. **[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 2025-26, Calculate the employees cost according to CAS -7.

		₹
(i)	Salary, wages and other allowances	750
(ii)	Bonus	100
(iii)	Contribution to Provident Fund	90
(iv)	Wages to contractor's employees	100
(v)	Employees welfare	40
(vi)	Abnormal cost due to strike	80
(vii)	VRS payment for closure of Rod Iron section of the plant	62
(viii)	Arear Salary (2020-21)	210
(ix)	Compensation paid against the past periods against Court order	67

5. (a) Auto Parts Manufacturing Company Ltd. showed a profit for the year 2025-26 as ₹ 35,46,700. During Cost Audit, the followings transactions were noticed:

i. an old machine with net value of ₹ 6,54,000 was sold off for ₹ 9,30,000,
ii. dividend income was received amounting to ₹ 84,500 from investments,
iii. a sum of ₹ 58,000 was spent towards CSR commitment,
iv. the company was engaged in trading activity where purchase of goods was ₹ 13,50,000 and sales was ₹13,42,300, after incurring ₹ 40,800 as expenditure,
v. some renovation work was carried out at a cost of ₹ 7,75,000 and its useful life was only for five years, and
vi. the closing inventory of raw material was undervalued ₹ 29,600 and that of finished goods was overvalued ₹ 65,400 in the financial records.

Calculate the Profit as per the Cost Accounts. **[7]**

(b) Describe the constituents of Forensic Audit. **[7]**

6. (a) Describe the circumstances under which a person can be searched under Section 18 of the PMLA. Additionally, explain the prerequisites for arresting an individual under Section 19, highlighting the authorities involved and the procedural steps that must follow post-arrest. **[7]**

(b) Describe the functions of the Management Audit. **[7]**

7. (a) Analyse the role of Cyber Security in protecting data used in an organization. **[7]**

(b) Explain the approaches for developing Manpower Planning. **[7]**

8. (a) You are appointed to conduct an Operational Audit for a company. How do you prepare for such an Operational Audit and discuss the objectives of Operational Audit? **[7]**

(b) Discuss the steps involved in the Audit of Hospitals. **[7]**