

Time Allowed : 3 Hours

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

Answer *Question No. 1* and 5 which are compulsory and any two each from the remaining questions of Sections I & II.

SECTION I (Marks 50)

1. (a) State whether the following statements are "True" or "False": 1x7=7
- | | | |
|-------|--|-----|
| (i) | The Shareholder of the company has no statutory right to demand a copy of cost Audit Report. | (0) |
| (ii) | Presently cost audit report should be sent to the Department of Company Affairs after binding. | (0) |
| (iii) | Cost audit report can be submitted with provisional figures if the audited accounts are not finalized. | (0) |
| (iv) | Para 27 of the Annexure to the cost Audit Report will help to minimize the litigations under Central Excise and Valuation Audit under Section 14A. CENVAT Audit under Section 14AA and Audit by Excise officials 2000. | (0) |
| (v) | Relevant costs are costs relevant for a specific purpose or situation. | (0) |
| (vi) | Cost auditor can not be appointed as internal auditor of the same company. | (0) |
| (vii) | Dividend can be declared out of Revaluation Reserve. | (0) |
- (b) Choose the correct answer: 1x3=3
- | | | |
|-------|---|-----|
| (i) | The company has to give documents to the cost auditor within
(1) 180 days;
(2) 135 days;
(3) 90 days. | (0) |
| (ii) | For Physical verification of inventory under para 19B, figures are provided for
(1) Current year and previous year;
(2) Current year and previous two years;
(3) Current year. | (0) |
| (iii) | For written off stock under Para 18B figures are provided for
(1) Current year and previous two years;
(2) Current year;
(3) Current year and previous year. | (0) |
- (c) Fill up the blanks with appropriate word/words; 1x4=4
- | | | |
|-------|--|-----|
| (i) | Before starting cost audit work, an auditor should study the _____ industry concerned. | (0) |
| (ii) | Value addition is the difference between _____ and the cost of bought out materials and services. | (0) |
| (iii) | In Debt–Equity Ratio, Long Tern Liabilities are the liabilities due for settlement more than _____ | (0) |

	_____months after the data of the Balance Sheet.																																																													
	(iv) For Calculation of Profit as a percentage of Capital Employed profit should be _____ before arriving at the ratio.	(0)																																																												
2. (a)	What informations are provided under "Central Excise Reconciliation for the product under reference" under Para 27 for;	3+3+6=12																																																												
	(i) Quantitative details;	(0)																																																												
	(ii) Details of clearances;	(0)																																																												
	(iii) Reconciliation of duty paid.	(0)																																																												
(b)	What credit can a company avail under "CENVAT"?	3 (0)																																																												
(c)	State the industry where detail information of central excise is not provided under Para 27.	3 (0)																																																												
3. (a)	Under what circumstances will the appointment of Cost Auditor for conducting of cost audit be appointed in firm's name. Who will authenticate such reports and how?	4 (0)																																																												
(b)	How would you treat the following items in the cost accounting Records? (i) Voluntary retirement compensation paid to workers, included under wages. (ii) CENVAT availed as credit on purchased raw materials.	4 (0)																																																												
(c)	XYZ Ltd. has furnished the following information from the financial books for the year ended 31st March 2009:	10 (0)																																																												
	<table><tr><th colspan="4">Profit & Loss A/c</th></tr><tr><td></td><td>Rs.</td><td></td><td>Rs.</td></tr><tr><td>To Opening Stock (500 units at Rs.140 each)</td><td>70,000</td><td>By Sales (10250 units)</td><td>28,70,000</td></tr><tr><td>To Materials consumed</td><td>10,40,000</td><td>By Closing Stock (250 units at Rs.200 each)</td><td>50,000</td></tr><tr><td>To wages</td><td>6,00,000</td><td></td><td></td></tr><tr><td>To Gross Profit C/d</td><td>12,10,000</td><td></td><td><u>29,20,000</u></td></tr><tr><td></td><td><u>29,20,000</u></td><td></td><td></td></tr><tr><td></td><td>Rs.</td><td></td><td>Rs.</td></tr><tr><td>To factory overhead</td><td>3,79,000</td><td>By Gross Profit B/d</td><td>12,10,000</td></tr><tr><td>To Administrations overhead</td><td>4,24,000</td><td>By Interest</td><td>5,000</td></tr><tr><td>To Selling Expenses</td><td>2,20,000</td><td>By Rent</td><td>36,000</td></tr><tr><td>To Bad Debts</td><td>6,000</td><td></td><td></td></tr><tr><td>To Preliminary Exp.</td><td>30,000</td><td></td><td></td></tr><tr><td>To Net Profit</td><td>1,92,000</td><td></td><td></td></tr><tr><td></td><td><u>12,51,000</u></td><td></td><td><u>12,51,000</u></td></tr></table>	Profit & Loss A/c					Rs.		Rs.	To Opening Stock (500 units at Rs.140 each)	70,000	By Sales (10250 units)	28,70,000	To Materials consumed	10,40,000	By Closing Stock (250 units at Rs.200 each)	50,000	To wages	6,00,000			To Gross Profit C/d	12,10,000		<u>29,20,000</u>		<u>29,20,000</u>				Rs.		Rs.	To factory overhead	3,79,000	By Gross Profit B/d	12,10,000	To Administrations overhead	4,24,000	By Interest	5,000	To Selling Expenses	2,20,000	By Rent	36,000	To Bad Debts	6,000			To Preliminary Exp.	30,000			To Net Profit	1,92,000				<u>12,51,000</u>		<u>12,51,000</u>	
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	The Cost Sheet shows the cost of materials at Rs.104 per unit and the labour cost at Rs.60/- per unit. The factory overheads are absorbed at 60% of labour cost and administration overheads are 20% of factory cost. Selling Expenses are charged at Rs.24 per unit. The Opening Stock of finished goods is valued at Rs.180 per unit. You are required to prepare: (i) A statement showing profit as per cost A/c for the year ended 31.03.2009. (ii) A statement showing the reconciliation of profit as disclosed in cost A/c and the profit shown in financial A/c.																																																													
4. (a)	From the following figures extracted from the Cost Accounting Records of a company, calculate the Value Addition and its ratio as percentage of sale and also show how the value added is distributed to the different claimant thereto:	10 (0)																																																												

	(Rs. in lakhs)
Gross Sale (included ED Rs.1,240 lakhs)	16,500
Raw materials	6,250
Increase in value of stock of finished goods	42
Salaries and wages	2,800
Power and fuels	2,220
Other overheads (Excluding Depreciation)	215
Depreciation	900
Interest	760
Dividend income from Investment	75
Provision for taxation	220
Dividend proposed	300

(b) Define Cost Audit and State its purpose.

(c) Define in not more than one/two sentences:

(i) Non moving stocks;

(ii) Capitalization;

(iii) Cost pools;

(iv) Arm's length price.

SECTION II (Marks 50)

5. (a) State whether the following statements are "True" or "False". Justify with reasons:

- Management Audit Report is to be submitted to the Cost Audit Branch.
- The Ministerial Conference shall establish five functional Committees for discharge of functions agreed to them under the Multilateral Trade Agreements.
- The Companies Amendment Act, 2000 had introduced a new section 192A regarding Constitution of Audit Committees.
- The Consumer Service Audit critically examines the outstanding payment of consumers.
- Energy Audit means monitoring the energy efficiency of different equipment and process.
- The Secretariat of the WTO will be headed by a Secretary.
- The goods can be imported without payment of customs duty and can be re-exported after repairs, reconditioning etc. and such re-export must be made within Five Years from the date of import.

(b) Fill up the blanks with appropriate word/words:

- Authority can be delegated but not the _____.
- Dumping is an _____ practice.
- The Audit Committee shall meet at least _____ a year.
- _____ is a movement protecting the interest of the consumers.
- The _____ is the highest body of the structure of the WTO.
- Personnel development, a vital aspect of corporate development calls for special _____.
- Audit Committee which shall consist of not less than _____ directors and such number of other directors as the Board may determine.

5. (a) State the aspects to be covered in report of "Audit when goods are manufactured in Customs Bonded Warehouse".

- | | |
|---|--------|
| (b) Enumerate Six areas where disputes in determining the assessable value of the goods for excise duty liability may arise. | |
| (c) Prepare a checklist for carrying out an audit under Section 14AA of the Central Excise Act. | |
| 7. (a) A nationalized Bank which has extended cash credit to a manufacturing company on the security of the inventory holding is periodically receiving stock statements from the company indicating the value of stocks held. The company is sick and the Bank wants to re-assure itself that its loans are fully secured and covered by stocks. You have been appointed by the Bank to certify the value of the inventory. How would you conduct the inventory Audit? | 10 |
| (b) State briefly the salient feature of the traditional form of internal audit and operational audit. | |
| (c) Distinguish between GATT and WTO. | |
| 8. Write short notes (<i>any three</i>): | 6x3=18 |
| (a) Industrial Sickness; | |
| (b) Swot Analysis; | |
| (c) Productivity Audit; | |
| (d) Energy conservation. | |