

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)

- (a) State whether the following statements are “True” or “False”, with justification/reasoning for your answer: 1x5=5
- | |
|---|
| (i) A concurrent auditor of a company can accept appointment as the cost auditor of the same company. |
| (ii) Absorption of new technology treated as normal cost. |
| (iii) Cost Audit is applicable to enterprise like partnership firms, Co-operative societies etc. |
| (iv) Cost Audit in India appears to be synonymous with Efficient Audit. |
| (v) A Cost Auditor of a company can also be appointed as its internal audit. |
- (b) Choose the correct answer: 1x5=5
- | |
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| (i) In Cost Audit Report, auditor’s observations and suggestions are given in:
(a) Para 1 of the Annexure
(b) Para 3 of the Annexure
(c) Para 13 of the Annexure
(d) Form of cost Audit Report |
| (ii) Abnormal Non-recurring costs are being dealt with Annexure to the Cost Audit Rules in –
(a) Para 15
(b) Para 16
(c) Para 17
(d) Para 18 |
| (iii) Clarification on Cost Audit Report to be given to the Cost Audit Branch by Cost Auditor within –
(a) 45 days
(b) 180 days
(c) 30 days
(d) 60 days |
| (iv) Capital Employed under Para 24 means
(a) Average of Fixed Assets (excluding intangible assets, effect of revaluation of fixed assets, Capital WIP) less average of net current assets minus current liabilities and provisions.
(b) Share Capital plus Reserves
(c) Total Assets less current liabilities
(d) All the above |
| (v) For Physical verification of inventory under Para 19(b),
(a) Current year and Previous year
(b) Current year and Previous two years
(c) Current year |

(d) Previous year

(c) Fill in the blanks:

- (i) As per Section 292A of the Companies Amendment Act.,2000, every public Company having paid up Capital of not less than _____ of rupees shall constitute a committee of the Board, know as "Audit Committee".
- (ii) Non-moving Stock of Stores and Spares are those stocks which have not moved for more than _____ months.
- (iii) The ceiling on the number of cost audit to be undertaken by a Cost Auditor is laid down in Section _____ of the Companies Act. 1956.
- (iv) The debit balance in the Profit and Loss Account is to be _____ in computing Net Worth of the Company.

(a) State the constitution and scope of the Cost Accounting Standard Board (CASB) in India and mention at least five Cost Accounting Standards (CAS No.5) with Title, objective and useful for. Out of five CAS mention the names which are mainly aimed at principles for assessment of Cost.

(b) There was a strike from 17.8.2009 to 28.10.2009 in a Company of which you are Cost Auditor for the year ending 31.3.2010. Although the Company began working from 29.10.2009 production could effectively begin only from 30.11.2009. The expenses incurred during the year ending 31.03.2010 were:

Rs.in lakh

Salaries & Wages (Direct)	3,000
Salaried & Wages (Indirect)	2,000
Power (Variable 90%)	1,200
Depreciation	1,800
Other Fixed Expenses	2,400
Repairs and Maintenance (Variable Rs.1100 lakhs)	1,400
Total	11,800

Detailed examination of the records that of the above the following relate to the period 17.8.2009 to 29.11.2009.

Rs.in lakh

Salaries & Wages (Indirect)	700
Depreciation (Non-Productive)	600
Other Fixed Expenses	900
Repair and Maintenance (Indirect)	100
Total	2,300

Calculate the amount which, in your opinion, should be treated as abnormal for exclusion from the Product Costs and under which para it should be shown.

(a) An establishment footwear/tannery Unit has for a long time let out its chemical effluents into a canal resulting in contamination of ground water in its neighborhood. The Company ordered to put up an effluent treatment plant and also make arrangements for supply of potable (drinking) water in tankers free of cost to the 500 residents affected on a regular basis till ground water becomes potable again. As a cost Auditor of the Company, how will you treat the cost of such an operation? Explain with reasons, taking into account the social responsibility of the Company in regard to environmental pollution.

(b) How will you treat the following items in the Cost Accounting Records?

- (i) Interest received on security deposit with the Electricity Board.

(ii) Voluntary Retirement Compensation paid to workers, included under wages.

(iii) Convert availed as credit on purchased raw materials.

(iv) Profit on Sale of fertilisers to cane-growers by a sugar company.

(c) Who are the representative from various high powered Advisory body to form Government Accounting Standard Advisory Board in India including stewards of major Accounting Departments of the Government of India.

5+5=10

(a) As a cost auditor, suggest different measures to rectification of imbalance in production facilities.

6

(b) The following figures are extracted from the statement prepared by the cost Accountant and the Trial Balance of ABC Ltd., Which is a single product company:

6+

	Year ending		
	31.3.09	31.3.08	31.3.07
	(Rs. in lakhs)		
Gross sales inclusive of excise duty	2,040	1,985	1,875
Excise duty	295	280	265
Raw materials consumed	1,140	1,060	975
Direct wages	35	32	27
Power and fuel	30	27	24
Stores and spares	6	5	4
Deprn. charged to production cost centres	16	15	13
Factory overheads—			
Salaries and wages	5	4	3
Depreciation	2	2	2
Rates and Taxes	1	1	1
Other overheads	6	5	4
Administrative overheads—			
Salaries and wages	10	9	8
Rates and Taxes	2	2	2
Other overheads	162	154	148
Selling and Distribution overheads –			
Salaries and wages	7	6	5
Packing and Forwarding	6	6	5
Depreciation	1	1	1
Other overheads	124	118	108
Interest	85	74	68
Bonus and Gratuity	12	10	9
Gross current Assets	840	724	640
Current liabilities and Provisions	324	305	246

You are required to compute the following ratios as per requirement of para 24 of the cost Audit Report Rules, 2001 –

(i) Operating Profit as percentage of value addition

(ii) Value Additions as percentage of Net Sales

Note: The Computation should be based on EBDIT as Operating Profit

SECTION II (Marks 50)

5. (a) Explain whether the following activities amount to professional misconduct:

1x5

(i) A cost Accountant takes voluntary retirement from his employer and starts practice. He continues his association with the previous employers as an advisor, on a monthly retainer.

(0)

(ii)	A practising lawyer, specializing in anti-dumping cases comes to an informal understanding with an independent practising cost Accountant to assist him in preparing accounting statements to support his cases and agrees to share his fees on a percentage basis.	(0)
(iii)	A cost Accountant gives a certificate of cost for a product manufactured by an SSI Unit, owned entirely by his son.	(0)
(iv)	A Practising Cost Accountant brings disrepute to the profession, as a result of his action in his professional work.	(0)
(v)	A practising Cost Accountant uses for his personal advantage certain confidential information acquired as a result of his cost Auditing.	(0)
(b)	State what these following abbreviations stands	1x5=5
(i)	P C A O B	(0)
(ii)	C E R A	(0)
(iii)	D T A	(0)
(iv)	E R P	(0)
(v)	L F A R	(0)
(c)	Fill up the blanks with appropriate words:	1x4
(i)	_____ controls aims at ensuring compliance with applicable laws and regulations.	(0)
(ii)	The qualifications of the statutory auditors are prescribed under the provisions of section _____ of the Company's Act.	(0)
(iii)	_____ audit are concerned with the objectives of efficiency and effectiveness.	(0)
(iv)	The concept of Management Audit was developed by _____ .	(0)
6. (a)	Enumerate the points to be considered for assessing the requirements of working capital requirements and borrowing limits on behalf of the lending bank.	8 (0)
(b)	List the items to be included in the Report on Corporate Governance in the Annual Report of the Company.	10 (0)
7. (a)	Write a not on Excise Audit 2000.	5 (0)
(b)	Enumerate ten statutory and specific fields of audit, verification and certification open to cost accountants in practice, other than Cost Audit.	5 (0)
(c)	List the provisions in the first schedule regarding Professional Misconduct in relation to a cost accountant in Practice.	8 (0)
8.	Write short notes (<i>any three</i>):	6x3=18
(a)	Assurance Services;	(0)
(b)	C E R A – Audit of C and AG;	(0)
(c)	State the fields of “Due Diligence” ought to investigate;	(0)
(d)	Audit Committee.	(0)