

**CMA DECEMBER, 2020 EXAMINATION  
PROFESSIONAL LEVEL-IV  
SUBJECT: 404. COST AND MANAGEMENT AUDITING**

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

**PART-A: COST AUDITING (MARKS: 50)**

**Q. No. 1**

- (a) Draft a letter to communicate to previous cost auditor before you accept the appointment as new Cost Auditor.
- (b) You have been appointed Cost auditor of an industrial undertaking covered under Cost Accounting (Reports) Rules. The industry is new to you. What preparations and knowledge would you consider necessary while planning cost audit?
- (c) Draft a Cost Audit Report as per prescribed format of Cost Audit (Report) Rule, 1997. Mention the annexure to be reported to the Cost Audit Report.

**[Marks: (5+5+5) = 15]**

**Q. No. 2**

- (a) How would you treat the following costs under Generally Accepted Cost Accounting Principles?
  - (i) Material acquired in for other materials
  - (ii) Moisture losses in materials in transit
  - (iii) Annual Maintenance Contracts
- (b) How would you treat the following packing material cost according to relevant Cost Accounting Standard?
  - (i) Primary and Secondary packing material cost
  - (ii) Self manufactured packing material
  - (iii) The forex component of imported packing material

**[Marks: (6+6) = 12]**

**Q. No. 3**

- (a) What is installed capacity and how is this different from available capacity? How the installed capacity to be calculated in a multi-product company using the same machine / facilities?
- (b) In the case of Sugar Industry, the installed capacity is always expressed as cane crushing capacity per day. How would you measure the installed capacity of sugar industry?

**[Marks: (6+5) = 11]**

**Q. No. 4**

- (a) What are the objectives of Cost Accounting Standards?
- (b) Write short notes on the followings:
  - (i) BCAS 4: Indirect Costs;
  - (ii) BCAS 6: Support Department Costs;
  - (iii) Cost Audit Documentation;
  - (iv) Cost Audit Strategy.

**[Marks: (4+8) = 12]**

**PART-B: MANAGEMENT AUDITING (MARKS: 50)**

**Q. No. 5**

- (a) Explain briefly:
- (i) Management Audit Team;
  - (ii) Management Audit Criteria;
  - (iii) Management Audit Check-list.
- (b) The three basic evaluation methods for any work activity are inspection, compliance auditing and management auditing. Distinguish among them with pertinent.

**[Marks: (6+6) = 12]**

**Q. No. 6**

- (a) You are appointed as internal auditor of a hospital. State your approach for steps to be taken for conducting the audit.
- (b) You are the management accountant of ABC company, a large manufacturing company suffering from working capital crisis. What areas will you cover in your report to overcome this crisis?

**[Marks: (6+5) = 11]**

**Q. No. 7**

- (a) What do you understand by "corporate image"? As a management auditor how will you evaluate corporate image?
- (b) As a management auditor of a company, draft a model questionnaire for evaluation of production management.
- (c) You, as a management auditor have been asked to conduct a review of the function of the personnel department of XYZ Ltd. State the various points which will be covered in the review.

**[Marks: (4+4+4) = 12]**

**Q. No. 8**

**Define the following:**

- (a) Non moving Stocks;
- (b) Management Information (MIS) Audit;
- (c) Cost Pools;
- (d) Social Audit;
- (e) Industrial Sickness Investigation Approaches.

**[Marks: (3x5) = 15]**

**= THE END =**