SARASWAT EDUCATION SOCIETY'S
SRIDORA CACULO COLLEGE OF COMMERCE & MANAGEMENT STUDIES
KHORLIM, MAPUSA, GOA

B.Com - General (NEP 20, w. e. f. 2023-24)

T.Y B.COM. SEMESTER END ASSESSMENT, October/ November, 2026

PRACTICAL - [REGULAR] (ODD) SEMESTER [V] EXAMINATION

Subject: - Cost and Management Audit (Minor (VET) CCA-322)] **Max.Marks**:- 25
Credits: - 01 **Duration**: - [2 hrs.]

Instructions:
1. Total number of printed pages 4
2. All questions are compulsory. However, internal choice is available.
3. Figures to the right indicate maximum marks.
4. 5 marks weightage for Journals
5. 5 marks weightage for Viva-voce

Q. 1. Attempt any ONE (01) from the following: (8)

A. ZedPlus Industrial Components Ltd. is a manufacturing unit operating in the Noida Industrial Area. The Cost Audit is statutory for the company as per the Companies Act, 2013. As a part of the annual Cost Audit under Companies (Cost Records and Audit) Rules, 2014, capacity utilisation has to be analysed using secondary data extracted from the company's Annual Cost Statements and Plant Logbooks.

Following Secondary Data is provided for the Financial Year 2025–26

Particulars	Value / Unit
Maximum Rated Capacity (Manufacturer Specification)	2,00,000 units/year
Total Calendar Days in FY 2025–26	365 days
Mandatory Sunday Holidays	52 days
Public Holidays & Factory Closures	15 days
Scheduled Preventive Maintenance Allowance	100 machine hours
Actual Production Output Achieved	90,000 units
Standard Machine Operating Speed	20 units per hour
Actual Machine Hours Operated	5,000 hours

As the Cost Auditor, you are required to:
1. Compute a. Installed Capacity, b. Practical Capacity, c. Utilised Capacity, and d.Idle Capacity.
2. Calculate a. Capacity Utilisation Ratio and b. Idle Capacity Ratio.

OR

B. M/s Joshi & Associates is a Cost Accountants' firm. You are an audit assistant for the firm. During the audit of Prestige Products Ltd. for FY 2025–26, you gathered the following raw financial and cost data for Product MAT_101 (Automotive Component).

Based on the collected data, complete the Working Papers schedules below.

1. Direct Material Purchases: ₹10, 00,000 (includes ₹50,000 abnormal transit loss; includes ₹30,000 freight inward). Scrap realisation from normal waste during processing was ₹20,000.
2. Factory Overheads: Total incurred is ₹1, 50,000 (including ₹50,000 depreciation on machinery not yet installed).

You are required to complete the structured working paper schedules below.

COST AUDIT WORKING PAPER SCHEDULES **CLIENT: Prestige Products Pvt. Ltd.**

SCHEDULE A: DIRECT MATERIAL COST AUDIT (WP/MAT/01) — *CAS-6 Compliance*

Particulars	Client Unaudited Figures (₹)	Audit Adjustment / Remarks	Audited Figure (₹)
Gross Material Purchases	10,00,000	Baseline purchase value	10,00,000
Less: Abnormal Transit Loss	_____	Exclude per CAS-6 *(Abnormal item)*	(_____)
Add: Freight Inward	*(Included)*	Properly added to the material cost per CAS-6	*(Included)*
Less: Normal Scrap Realisation	_____	Deduct from the material cost per CAS-6	(_____)
Audited Direct Material Cost	_____	**Total Net Material Cost**	_____

SCHEDULE B: FACTORY OVERHEAD COST AUDIT (WP/OVH/01) — *CAS-3 Compliance*

Particulars	Client Unaudited Figures (₹)	Audit Adjustment / Remarks	Audited Figure (₹)
Factory Overheads Incurred	1,50,000	Baseline overhead cost	1,50,000
Less: Depreciation on Uninstalled Machinery	_____	Exclude *(Asset not ready for intended use)*	(_____)
Audited Factory Overheads	—	**Total Net Factory Overheads**	_____

Q. 2. Attempt any ONE (01) from the following: (7)

A. Mandovi Agro Chemicals is an agro-processing company operating in Ponda, Goa. The company processes raw organic extracts into two primary products: **Bio-Gel** and **Nutri-Powder**. The Board of Directors is evaluating a strategic management decision regarding Product Line **Bio-Gel**, which has shown consecutive accounting losses over the last four quarters.

Proposed Management Decisions Under Review:

- **Option A:** Shut down the **Bio-Gel** line completely to eliminate the ₹1,000,000 loss and increase company profitability.
- **Option B:** Subcontract the manufacturing of **Bio-Gel** to a third-party vendor in Karnataka at a cost of ₹1,100 per unit, while maintaining current selling price and sales volume.

Additional Operational Audit Information:

1. **Allocated Fixed Factory Overheads** represent common head office expenses apportioned based on sales revenue. These expenses will persist even if **Bio-Gel** is discontinued.
2. If **Bio-Gel** is discontinued (Option A), the **Direct (Avoidable) Fixed Overheads** of ₹2,000,000 will be eliminated.

Financial & Operational Data for Quarter 4 (Current Year):

Cost / Revenue Element	Bio-Gel (₹)	Nutri-Powder (₹)	Total Company (₹)
Production / Sales Volume	10,000 units	20,000 units	30,000 units
Sales Revenue	15,000,000	40,000,000	55,000,000
Direct Materials	5,000,000	12,000,000	17,000,000
Direct Labor (Variable)	3,000,000	8,000,000	11,000,000
Variable Factory Overheads	2,000,000	4,000,000	6,000,000

Cost / Revenue Element	Bio-Gel (₹)	Nutri-Powder (₹)	Total Company (₹)
Allocated Fixed Factory Overheads	4,000,000	6,000,000	10,000,000
Direct (Avoidable) Fixed Overheads	2,000,000	1,500,000	3,500,000
Net Profit / (Loss)	**(1,000,000)**	**8,500,000**	**7,500,000**

As a part of the management audit team, you are required to:

1. Evaluate Option A (Discontinuation):
2. Evaluate Option B (Outsourcing / Subcontracting)

OR

B. Panaji Auto-Components Pvt. Ltd. (PACL) is an automotive parts manufacturing unit based in Tuem Industrial Estate, North Goa. During the financial year, internal discrepancies were identified, including raw material usage discrepancies, unauthorised scrap sales, and recurring inventory shrinkage in the main warehouse.

Key Internal Control Observations Gathered During Audit Process:

1. **Procurement & Receiving Cycle:**
   - Purchase Requisitions (PR) are initiated verbally by department heads without written authorisation thresholds.
   - Material Rejection Reports for defective goods received from vendors are generated by the Receiving Clerk, who also handles the return of goods..
   - No physical inspection gate-entry register is maintained; goods inwards are recorded directly into the system 2–3 days after physical delivery.
2. **Inventory Management & Scrap Handling:**
   - The Senior Warehouse In-Charge holds physical custody of raw materials, records bin card entries, approves physical stock adjustment vouchers, and conducts annual physical inventory counts.
   - Metal scrap generated during production is dumped in an open yard behind the factory. Scrap sales are executed by the Production Supervisor without pre-weighment slips or gate passes.

As an Internal Audit Team:

1. **Conduct Internal Control Deficiency Analysis:**
   Identify at least four major internal control gaps and corresponding suggestions for improvement.