



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

COST AND MANAGEMENT AUDIT (PAPER - 17)

MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
1	Cost Audit was first introduced in the year _____.	1959	1965	1949	1975
2	Cost Audit was first introduced for _____ industry	Cement	Iron & Steel	Jute	Sugar
3	Govt. of India has issued order with respect to introduction of mandatory Cost Audit of Cost Records maintained by the Companies in the year _____.	2008	2009	2011	2014
4	The report on the audit of cost records is submitted by the cost auditor to _____.	Managing Director	Finance Director	Audit Committee	Board of Directors
5	The cost auditor of the company who is in default in compliance with section 148 shall be punishable in the manner as provided in _____.	Section 139 of Companies Act, 2013	sub-sections (1) to (3) of section 148 of Companies Act, 2013	Section 143 of Companies Act, 2013	sub-sections (2) to (5) of section 147 of Companies Act, 2013
6	Cost Audit represents true and fair view of the _____ of any product.	Cost of sale	Cost of raw material consumption	Cost of production	None of these
7	Cost Audit _____ conducted by a Chartered Accountant	May be	Can be	Cannot be	May not be
8	Which of the following are the objectives for which cost audit is undertaken?	To establish the accuracy of costing data.	To ensure that cost accounting principles are governed by the management objectives and these are strictly adhered in preparing cost accounts.	To reduce the amount of detailed checking by the external auditor if effective internal cost audit system is in operation.	All of the above
9	The applicability of cost audit under Companies (Cost Records & Audit) – Rules, 2014 for regulated industries having overall annual turnover during immediate preceding financial year is ____.	₹25.00 crores or more	₹35 .00 crores	₹50.00 crores or more	₹100.00 crores
10	The Company has to upload CRA-4 electronically to the MCA under the rule _____ of Companies (Cost Records & Audit) Rules, 2014	Rule 5 (1)	Rule 6 (2)	Rule 4 (6)	Rule 6 (6)
11	The form in which the cost records shall be maintained	CRA-1	CRA-2	CRA-3	CRA-4
12	Which of the following type of Electricity Company is under the purview of regulated sector?	Engaged in Generation	Engaged in Transmission	Engaged in Distribution & Supply	All the above
13	Which one of the below is not a regulated industry?	Telecommunication	Electricity	Drugs & Pharmaceuticals	Automobile



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14	Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal to be filled by the Board of Directors within _____ days of occurrence of such vacancy.	30 days	60 days	90 days	7 days
15	Machinery used in defense, space and atomic energy sector and fulfilling turnover criteria is under	regulated sector	unregulated sector	exempted by different statute	not applicable category
16	The Institute of Cost and Works Accountants of India (ICWAI) was renamed as "The Institute of Cost Accountants of India" in the year _____.	2012	2010	2008	2015
17	For regulated sector cost audit requirement has been made subject to a turnover based threshold	25 Crores	50 Crores	35 Crores	100 Crores
18	A company, engaged in construction business, is covered under the Companies(Cost Records and Audit) Rules, 2014 but does not include _____.	outsourcing by a sub-contracting company	a company working on BOT (Build, Operate, Transfer) mode	a company working in a Special Economic Zone	a project undertaken as EPC (Eng., Procurement, Constrn.) contract
19	As per Part D, Para 4 of the Companies (Cost Records and Audit) Rules, 2014, Value Addition and Distribution of Earnings are to be computed based on	Audited Financial Data	Cost Record Data	Unaudited Financial Data	Both (A) and (B)
20	CCRA – Rules, 2014 is applicable from the financial year commencing on or after	01.01.2014	01.04.2014	01.07.2014	01.04.2015
21	The Cost Auditor appointed has to render the cost audit report to the board of directors of the Company, as per the specified time limit, in Form _____.	CRA-3	CRA – 1	XBRL	CRA – 2
22	The cost records are to be maintained as specified in:	CRA3	CRA1	CRA 4	CRA 2
23	Sugar and Industrial Alcohol' belong to _____ sector for the purpose of Application of Cost Records.	Regulated	Non-Regulated	Both depending on circumstances	None of above
24	The Central Govt. released the CCRA – Rules, 2014 in pursuance to the powers vested with it U/s ----- of the Companies Act, 2013	Section 469	Section 148	Section 465	Section 469 and 148
25	The CCRA – Rules, 2014 supersedes	Companies (Cost Accounting Records) Rules, 2011	Companies (Cost Audit Report) Rules, 2011	Cost Accounting Records (Telecommunication Industry) Rules, 2011	All the above
26	The provisions related to maintenance of cost records were introduced in the year ----- by amendment to the Companies Act, 1956.	1960	1965	1966	1970
27	The CCRA – Rules, 2014 is not applicable to	MSME	Export oriented unit	Private limited companies	Units operating from SEZ
28	The cost audit report under CCRA – Rules, 2014 is to be submitted in -----	Form – 3	Form – 4	Form – 1	Form – 2
29	Which one of the below is not a regulated industry	Fertilizers	Aluminium	Sugar	Petroleum products



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30	As per the CAS 23, the activity of Overburden Removal that benefits the identified component of an ore to be mined by the entity is called as	Mining Activity	Overburden Remova	Stripping Activity	Advance Stripping
31	Cost Information _____ the organization to structure the cost, understand it and use it for communicating with the stakeholders.	Enables	Disables	Useful	None of these
32	The appointment of Cost Auditor is defined under section _____ of the Companies Act, 2013.	Section 148(2)	Section 148(3)	Section 144(3)	Section 139
33	A cost accountant who fails comply with the provisions of sub-section (12) of Sec. 143 of the Companies Act, 2013, shall be punishable with fine of maximum ` _____.	` 5.00 lakhs	` 25.00 lakhs	` 1.00 lakhs	` 10.00 lakhs
34	Cost auditor to report fraud under section _____ of Companies Act, 2013.	Section 140(12)	Section 148(2)	Section 144(10)	Section 143(12)
35	Any casual vacancy in the office of a cost auditor, shall be filled by the Board of Directors within _____ days of occurrence of such vacancy.	180	90	30	60
36	Which one of the following is not a professional misconduct in relation to Cost Accountants in Practice as per the Second Schedule of The CWA Act, 1959?	He/she fails to invite attention to any material departure from the generally accepted procedure of costing and pricing applicable to the circumstances	He/she does not exercise due diligence or is grossly negligent in the conduct of his/her professional duties	He/she fails to report a material misstatement known to him/her to appear in a cost or pricing statement with which he/she is concerned in a professional capacit	In the opinion of the Council, he/she brings disrepute to the Profession or the Institute as a result of his/her action whether or not related to his/her professional work



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37	Which of the following is not a Professional Misconduct as per the First Schedule of The CWA Act, 1959, in relation to the Cost Accountants in Practice?	Pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his/her professional work, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner	Enters into a partnership, in or outside India, with any person other than a Cost Accountant in Practice or such other person who is a member of any other professional body having such qualifications as may be prescribed	Advertises his/her professional attainments or services or uses any designation or expression other than Cost Accountant on professional documents, visiting cards, letter heads or sign boards, unless it is a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of The ICAI or any other institution that has been recognised by the Central Government or may be recognised by the Council	Expresses his/her opinion on cost or pricing statements of any business or enterprise in which, he/she, his/her firm or a partner in his/her firm has substantial interest
38	The cost auditor to be appointed within ----- days of the beginning of the financial year	90 days	180 days	6 months	270 days
39	Relatives of any partner of the firm holding any security of or interest in the company of face value exceeding ` _____ lakh can not be appointed as the Cost Auditor of that company.	One	Two	Three	None of the above
40	Cost audit is to be conducted by a cost auditor who is a/an _____.	Any indian resident	Qualified Chartered accountant	Qualified Company secretary	Qualified cost and management accountant
41	The cost auditor is _____ for forming and expressing an opinion on the cost statements.	Responsible	Reasonable	Irresponsible	Assessing
42	The cost auditing standards deal with the _____ of the cost auditor.	Efficiency	Effectiveness	Qualifications	Responsibility



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43	Which of the following persons shall NOT be appointed as cost auditor of a company:	A person who has been appointed as auditor of the company for the respective period	A person who is, or at any time during the preceding three years was a director, officer or in the employment of a director	Both A&B	None
44	Which of the following persons shall not be appointed as auditor of a company?	A person who has been appointed as auditor of the company	A spouse of a director of the company	A body corporate	All of the above
45	Which of the following particulars relating to wages and salaries be included in Cost Auditor's Report to the Director of the company?	Total wages and salaries paid	Total man-days of direct labour available and actually worked	A brief explanation for variances in item	All of the above
46	CAS-17 deals with _____ .	Royalty and Technical Knowhow fee	Material Cost	Research & Development Cost	Interest & Financing charges
47	CAS 21 deals with _____ .	Cost of service cost centre	Quality Control	Capacity determination	Cost classification
48	The foreign exchange component of imported material is converted at the rate on _____ .	Date of Payment	Date of Delivery	Date of Transaction	Date of Use
49	Which of the following is not forming part of Cost of transportation?	Cost of transport	Transit insurance	Demurrage Charge	Local Octroi charges
50	Idle capacity is the difference between _____ .	Installed capacity and Actual Capacity Utilisation	Installed capacity and Normal Capacity	Abnormal Idle capacity and Normal Capacity	Installed capacity and Normal Capacity
51	Which of the following is not part of the Employee Cost as per CAS-7?	Leave with Pay	Medical benefits to the Employees and dependents	Compensation for Lay off period	Cost of Employees' stock option
52	CAS 9 deals with	Direct Material Cost	Indirect Material Cost	Packing Material Cost	Imported Material Cost
53	The Institute of Cost and Works Accountants of India (ICWAI) was renamed as "The Institute of Cost Accountants of India" in the year _____.	2012	2010	2008	2015
54	CAS-20 deals with _____	Royalty and Technical Knowhow fee	Material Cost	Research & Development Cost	Financial Cost
55	As per CAS 2 Actual Capacity utilization shall be presented as a percentage of _____ capacity.	Installed Capacity	Practical Capacity	Abnormal Loss (%)	Actual Production
56	CAS 5 deals with _____	Equalized cost of transportation	Captive consumption	Capacity determination	Cost classification



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57	Cost Accounting Standard 8 is a Cost Accounting Standard on _____.	Employee Cost	Utilities Cost	Pollution Control Cost	Selling and Distribution Cost
58	Under the Generally Accepted Cost Accounting Principles, the cost of cane supplied from own farm to the sugar mill is treated as _____.	Direct Materials Cost	Indirect Materials Cost	Production Overhead	Administrative Overhead
59	The Cost Accounting Standard 15 is a Cost Accounting Standard on _____.	Employee Cost	Utilities Cost	Pollution Control Cost	Selling and Distribution Overheads Cost
60	Royalty paid on production ₹35,000, Job Charges ₹20,000, Special Design Charges ₹ 20,000, Software Development Charges related to Production ₹27,000, and Travelling abroad for Training ₹25,000 The Direct Expenses as per CAS 10 is ₹ _____.	92,000	1,00,000	1,02,000	1,27,000
61	As per Part D, Para 4 of the Companies (Cost Records and Audit) Rules, 2014, Value Addition and Distribution of Earnings are to be computed based on _____.	Audited Financial Data	Cost Record Data	Unaudited Financial Data	Both (A) and (B)
62	Variances due to abnormal reasons ----- form part of cost as per GACAP.	Will Not	Is	Are	Will
63	Cost auditing standard deals with _____.	Auditors responsibility	Auditors power	Auditors right	Auditors flexibility
64	Cost auditing standards preface to the standards on auditing, quality control review and related services rendered by the cost accountant has been issued by _____.	ICAI	ICMAI	CAASB	ICWAI
65	Cost Auditing Standard 102 deals with _____.	planning an Audit of Cost Statements	Cost Audit Documentation	knowledge of process and business	overall objectives of the Independent Cost Auditor
66	As per the Central Excise Valuation Rules 2000, the assessable value of goods used for captive consumption is _____.	at actual cost of production of such goods	at marginal cost of production of such goods	at 110% of cost of production of such goods	at market price of such goods
67	As per the Cost Auditing Standard 101, the risk of Material Misstatements has two components, viz., _____.	Inherent Risk and Control Risk	Detection Risk and Audit Risk	Material Risk and Implicit Risk	Financial Risk and Explicit Risk
68	The objective of CAS – 101 is to _____.	Prepare cost records	Prepare cost audit documentation	Guide the members to make planning for the audit of cost statement	Enable the cost auditor to have knowledge of the clients business
69	Overall Objectives of the independent Cost Auditor and conduct of an Audit in accordance with Cost Auditing Standard is dealt in _____.	Cost Auditing Standard 101	Cost Auditing Standard 102	Cost Auditing Standard 103	Cost Auditing Standard 104
70	CAS _____ ensures the achievement of audit objectives with available resources and securing coordination with the auditee on audit work.	CAS – 102	CAS –104	CAS – 103	CAS- 101



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71	Cost Accounting Standard 18 is a Cost Accounting Standard on _____.	Royalty and Technical Knowhow fee	Material Cost	Research & Development Cost	Financial Cost
72	Cost Accounting Standard 21 is a Cost Accounting Standard on _____.	Royalty and Technical Knowhow fee	Material Cost	Joint Costs	Quality Control
73	The procedures followed by the cost auditor to reduce the audit risk to an acceptable level will not detect a misstatement that exists and that could be material is _____.	Inherent risk	Detection risk	Control risk	None of these
74	CAS 104 enables the cost auditor _____.	To have knowledge of the clients business	Overall objectives of the cost auditor and the conduct of an audit	Guide the members to prepare cost audit documentation	Making plan for audit of cost statement
75	Requirements of CAS – 104, the cost auditor shall _____.	Comply with the relevant ethical requirements	Have adequate level of understanding of the knowledge of business	Prepare audit documentation	None of these
76	Penalty paid to PF authorities is _____ in employee cost.	Included	Excluded	Based on individual case	Partly included
77	Demerit of Audit Programme is :	Rigidity	Ignoring new areas	Mechanized work	All of these
78	Cost Auditor is appointed by :	Audit Committee	Board of Directors	Board of Directors on recommendation from Audit Committee	None of the above
79	_____ is a written plan containing details with regard to the conduct of a particular audit .	Audit Note Book	Audit Programme	Audit files	Audit Plan
80	Verification of assets involves a critical examination of	Ownership	Existence	Both (a) & (b)	None of the above
81	Arrange the following stages of an audit of cost statement in the correct sequence : A. Performing B. Planning C. Reporting	A,C,B	A,B,C	B,A,C	B,C,A
82	During the planning stages of the final audit , the auditor believes that the probability of giving an inappropriate audit opinion is too high. How should the auditor amend the audit plan to resolve this issue ?	Increase in materiality level	Decrease the inherent risk	Decrease the detection risk	Increase the inherent risk
83	Which of the following is not a type of audit opinion ?	Qualified Opinion	Adverse opinion	Disclaimer opinion	Reserved opinion
84	SA 230 stands for _____.	Quality control for an audit of financial Statements	Agreeing the terms of Audit engagements	Audit Documentation	Responsibility of Joint Auditor



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85	SA 300 stands for _____.	Responsibility of Joint Auditor	Overall planning of audit	Audit Planning	None of the above
86	XBRL is the abbreviated form of :	eXtensible Business Reporting Language	eXtensive Business Reporting Language	eXtended Business Reporting Language	eXtensive Business Reporting Language
87	XML stands for what?	Extensible	Markup	Language	All of these
88	XBRL is a language based on :	XBL family of languages	XRL family of languages	XML family of languages	XGL family of languages
89	If the auditor is satisfied for all five points , he will submit	Unqualified Report	Qualified Report	Interim Report	Final Report
90	Management auditor should have a thorough knowledge of _____	Financial Accounting	Production techniques	Costing systems	All of the above
91	A management auditor can recommend the most suitable system of flow of information _____	Internally	Externally	Internally and externally	None of the above
92	Management auditor should be well versed with _____.	Management by exception	Management by objectives	Principles of delegation of authority.	All of the above.
93	Which of the following statements are true about management audit?	The management audit is made compulsory and statutory	Management audit is a programme of one year.	Management audit cannot be conducted by an independent person.	No, time limit can be fixed for submission of the report under management audit.
94	Cost audit is a verification of cost records to estimate the _____ efficiency of a business	External	Internal	Both internal and external	None of the above
95	The management auditor's work begins	After the work of a statutory auditor ends	Before the work of a statutory auditor begins	Varies from firm to firm	None of the above
96	Management audit is useful for	Suggestion for targets	Assistance to management	Good staff relationship	All of the above
97	The main emphasis of Management Audit is:	Problem solving	Problem identification	Problem definition	Problem avoidance
98	Which of the following is a kind of information report?	Trend reports.	Analytical report.	Activity reports.	All of the above.
99	The backbone of any organisation is _____	Information	Employee	Management.	Capital.
100	Which of these is usually written in a form of a memorandum?	Informal reports.	Formal reports	Professional reports	Business reports.
101	_____ are to be presented after making an investigation of the problem which requires to be investigated.	Memorandum	Special reports	Summary	Special facts
102	_____ is a very important method of presenting information to the management in a pictorial manner and attracts the eye of the recipient more quickly and forcibly.	Tabular Reports	Descriptive Reporting	Graphic Presentation	All of the above
103	_____ report provides rationed findings	Informative	Interpretative	Routine	Progress
104	Which of these must be avoided in a technical report?	Facts	Logical conclusion	Objective evaluation	Subjective evaluation
105	Reports present conclusions based on _____.	Intuition	Belief	Investigation	Impression



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106	As per Leslie R. Howard, a Management audit is an investigation of a business from the _____ in order to ascertain whether sound management prevails throughout.	Highest level downwards	Lowest level upwards	Either (a) or (b).	none of the above
107	Important point in corporate planning is _____	Time and Work Study	Imposing Control System	Forecasting and goal setting	SWOT analysis
108	Consumer Service Audit is part of _____	Business Activity Audi	Social Audit	Service Audit	None of Above
109	Management Audit Report Submitted to:	Cost Audit Branch	Audit Committee	Management of Concern	Central Government
110	There are no fixed items of evidence to be checked by Management Auditor. A Management Auditor has to rely more on _____ .	his experience and acumen	Auditors Working Paper.	Physical Verification Sheet	Information Provided by Management.
111	What is the main factor to maintain corporate image?	Industry Goodwill.	Employee loyalty.	Shareholder's trust.	All of these
112	What is the business case for CSR?	Better motivated staff reduce operating costs.	Increased brand value and reputation	None of the above	All of these
113	Who is starting point of bottom-up communication?	Employees.	Customers.	Management.	Depends upon the media.
114	What is the essential trait of a PRO?	Have high standard of integrity.	Should be a learned.	Should gain the people's confidence easily.	All of these.
115	Mass communication is the process of _____by spreading a message to the desired public.	Mass persuasion.	Mass awareness.	Mass enlightenment.	Mass prelude.
116	Which type of advertising focuses on the basis of experience that customers have with a company?	Corporate Image.	Institutional.	Perception Oriented.	Identity.
117	Which strategy influences internal communications?	Organisation's strategy.	A strategy of its own.	Both of above	Depends upon the media.
118	What refers to the act of offense of saying something false or malicious that damages somebody's reputation?	Libel.	Slander.	Defamation.	IPR violation.
119	Control in the design of an information system is used to _____	Inspect the system and check that it is built as per specifications.	Protect data from accidental or intentional loss.	Ensure that the system processes data as it was designed to and that the results are reliable.	Ensure the privacy of data processed by it.
120	A check-point procedure _____ .	Checks program correctness at certain points	Divides a program into smaller parts.	Breaks programs into portions at the end of each of which a check point program is executed.	Finds points in a program where it is convenient to check it.



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121	Audit in the design of information system is used to _____	Inspect the system and check that it is built as per specifications.	Protect data from accidental or intentional loss.	Ensure that the system processes data as it was designed to and that the results are reliable.	Ensure the privacy of data processed by it.
122	By auditing around the computer, we mean _____ .	The inputs and the corresponding outputs are compared and checked for correctness.	The programs and procedures are checked for correctness.	Special synthetic data is input and outputs checked for correctness	Programs are written to check the functioning of the computer.
123	An audit trail is established in a system to _____ .	Detect errors in a system.	Enable auditing of a system.	Localize the source of an error in a system.	Trail a program.
124	Parallel runs are used _____	During regular operation of an information system	When a system is initially implemented.	Whenever errors are found in a computerized system	Whenever management insists.
125	Security in the design of information systems is used to _____ .	Inspect the system and check that it is built as per the specifications.	Protect data and programs from accidental or intentional loss	Ensure that the system processes data as it was designed to and that the results are reliable	Ensure the privacy of data processed by it
126	A firewall is used in a system connected to a wide area network to _____	Prevent the spread of fire in the network	Prevent unauthorized access by hackers.	To scan for viruses in files.	To extinguish fire spreading via network cables.
127	Several checks & controls exercised in a business to ensure its efficient working is known as:	Internal check.	Internal control	Internal audit.	Interim check
128	The work of one clerk is automatically checked by another clerk is called:	Internal control.	Internal check.	Internal audit.	None of the above
129	Internal controls and internal checks are:	One and the same.	Different.	Internal control includes internal checks.	None of the above.
130	Which of the following statements is not true about a continuous audit?	It is conducted at regular intervals.	It may be carried out on daily basis.	It is needed when the organisation has a good internal control system.	It is expensive.



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131	Verification is ____.	The art of recording the business transaction.	An examination of the books of accounts.	The act of establishing the accuracy of entries in the books of accounts.	None of the above.
132	The main objectives of investigation is ____	To discover errors and frauds.	To prevent errors and frauds.	To verify statements.	All the above
133	The company's auditor is expected to give ____	His expert opinion about the accounts.	A factual position about the accounts.	A critical review of the accounts.	Financial assistance
134	Which of the following is not likely to be a fraud risk factor relating to management characteristics?	Tax evasion.	Failure to correct known weakness in internal control system	Adoption of conservative accounting principles	High management turnover
135	Financial auditor submits reports to the	Shareholder	Board of director	Debtors	Employees
136	Audit under any statute in a country is called	Final audit	Internal audit	Proprietary Audit	Statutory audit
137	CAATTS is also known as	Cost And Accounts Treatments	Computer Assisted Audit Tools and Techniques	Classification and Accounting of Tax Tools	Computer Aided Audit Tools and Techniques
138	Auditor has got no lien on	Audit Note Nook	Audit working papers	Books to Accounts of Client	Both (a) and (b)
139	Internal audit is conducted	Periodically	Throughout the year	Once in a year	Once in Five years
140	Test checking is done when there is an effective system of ____.	Internal control	Internal audit	Internal check	Both (a) and (b)
141	Treating revenue expenditure as capital expenditure is an example of error of	Principle	Compensating	Clerical	None of the above
142	Verification of assets involves a critical examination of	Ownership	Existence	All of these	None of the above
143	NGO(s) are incorporated under	Societies Registration Act, 1860	India Trust Act, 1882	As Section 8 Company	All of the above.
144	Management audit _____ on financial matters.	Involves	Only concentrate	Does not concentrate	None of these
145	The main objectives of management audit is to ____.	Suggest improvement in methods of operations	Framing basic policies for the organisation	Setting up an organizational framework	None of these
146	The main emphasis of Management Audit:	Problem solving	Problem identification	Problem definition	Problem avoidance
147	Management audit is normally presumed to be a _____ into a performance of a manager or group of managers.	Routine investigation	Non-routine investigation	Auditing	None of these



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148	C&AG has the right to direct how the company's accounts shall be audited by the auditor and to give such auditor instructions regarding any matter relating to the performance of his functions as per section_____.	44AB of Income Tax Act	143 of the Companies Act, 2013	173 of the Companies Act, 2013	134 of the Companies Act, 2013
149	Who appoints the auditor for the Government Company?	Board of Directors	Audit Committee	C&AG	CBDT
150	Non-Governmental Organisations can be incorporated as a company	Section 25 of the Companies Act, 1956.	Section 8 of the Companies Act, 2013.	Section 28 of the Companies Act, 2013.	None of the above
151	Financial Administration of Local Bodies includes	Budgetary Procedure	Expenditure Control	Accounting System	All of the above
152	Forensic Accounting is defined as:	The practice of applying defined financial ratios to investigate a company's financial health.	The use of law enforcement to subpoena financial records to determine unlawful actions.	The application of investigative and analytical skills to resolve financial issues in a manner that meets standards required by courts of law	The investigatory arm of the Securities and Exchange Commission.
153	When the auditor tests the documents by keeping them side by side then it is known as _____.	Test of impossibility.	Test of absurdity.	Juxtaposition test.	None of the above.
154	As per the study of ACFE, the following category of individuals commit the highest frauds (in monetary terms)_____.	Low-level management.	Mid-level management.	Senior level management	All of the above
155	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:	Perjury	Contempt.	Treason.	Fraud.
156	_____ are the elements of fraud.	The individual must know that the statement is untrue.	There is an intent to deceive the victim.	The victim relied on the statement & The victim is injured financially or otherwise.	All of the above.
157	_____ happens when the fraudster avails multiple loans for the same property simultaneously for a total amount over the actual value of the property	Phishing.	Window dressing.	Shot gunning.	Skimming.
158	Significant increase in working capital borrowing as a percentage of turnover is a_____.	Red flag	Green flag.	Amber flag.	White flag.
159	The principle of 3D vision includes _____.	Time dimension analysis.	Space dimension analysis	Both (a) & (b).	None of the above.



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160	"Fraud is a deliberate act of omission or commission by any person, carried out in the course of a banking transaction or the books of accounts maintained manually or under computer system in banks, resulting into wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank" is a definition given by:	SEBI.	RBI.	ICAI.	ACFE.
161	Prevention of Money-Laundering Act, 2002 is?	Act No.15 of 2003	Act No.22 of 2003	Act No.11 of 2003	Act No.3 of 2003
162	Prevention of Money Laundering Act, 2002 came into force on?	1st January 2002	1st July 2005	1st June 2004	1st November 2002
163	"Precious metal" as defined by PMLA Act, 2002 does not include?	Gold	Palladium or rhodium	Diamond	Platinum
164	Offence of money laundering is defined in which section of PMLA Act, 2002	Section 3	Section 2	Section 1	Section 11
165	"Punishment for money-laundering" is defined under which Section of PMLA Act 2002?	Section 3	Section 7	Section 4	Section 10
166	Which of the following is not prescribed in the provision of the Prevention of Money Laundering Act, 2002?	Seizure of property	Attachment of Property	Confiscation of Property	Life Imprisonment
167	As per section 5 of PMLA Act, 2002, the property can be provisionally attached for a period not exceeding _____ from the date of the order?	60 days	90 days	120 days	180 days
168	Director or any other officer who provisionally attaches any property under PMLA Act, 2002, shall, within a period of days from such attachment, file a complaint stating the facts of such attachment before the Adjudicating Authority?	Thirty days	Sixty days	Forty-five days	Ninety days
169	Which among the following authority appointed by the Central Government shall exercise jurisdiction, powers, and authority conferred by or under the Prevention of Money Laundering Act, 2002?	Administrative Authority	Adjudicating Authority	Appellate Authority	Adjudicating Commission
170	Cost Accounting Standards (CAS) are relevant in cost audit because they:	Are legally binding on all companies without exception	Provide a uniform basis for cost measurement and disclosure for comparability	Replace generally accepted accounting principles entirely	Are only relevant for financial audit
171	Which of these is not typically an advantage of cost audit?	Improvement in cost control and reduction of costs	Ensuring compliance with cost accounting standards	Guaranteeing profitability of the company	Detection of inefficiencies and abnormal wastage
172	Which among the following is not part of the basic components (nature) of cost audit?	Verification of cost records	Evaluation of cost management systems	Detecting fraud relating to financial accounts only	Reporting on adherence to cost accounting standards



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MCQ BANK

SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
173	A cost auditor finds that a company is not following a particular Cost Accounting Standard which materially affects cost disclosure. His reporting responsibility is to:	Ignore it as cost audit is voluntary	Qualify the cost audit report mentioning non-compliance	Withdraw from the assignment without reporting	Adjust the cost figures himself to comply
174	As per Companies (Cost Records and Audit) Rules, 2014, cost records are required to be maintained by:	Only companies listed on a stock exchange	All manufacturing companies irrespective of turnover	Companies engaged in regulated sectors meeting specified turnover thresholds	Only foreign companies having Indian subsidiaries
175	A company is required to maintain cost records if overall turnover from all products/services is:	₹25 crore or more	₹50 crore or more	₹40 crore or more	₹35 crore or more
176	Cost audit is applicable if overall turnover from regulated sectors is $\geq$ ₹50 crore and overall turnover from all products/services is:	₹100 crore or more	₹200 crore or more	₹150 crore or more	₹500 crore or more
177	Which of the following is a regulated sector under the Rules?	Cement	Power generation	Automobile	Textile
178	As per the Rules, which form must be filed with the Board for appointment of cost auditor?	CRA-1	CRA-2	CRA-3	CRA-4
179	The due date for filing the cost audit report in CRA-4 is within:	120 days of the end of the financial year	180 days from the start of the next financial year	60 days from date of cost audit report	30 days from the date of submission of report to the Board
180	Which of the following types of companies are exempt from cost audit requirements?	Companies exporting 10% or more of total turnover	Companies operating from Special Economic Zones (SEZs)	Companies classified as MSME under MSMED Act	Dormant companies only
181	Who is responsible for maintaining cost records as per the Rules?	Cost Auditor	Chief Financial Officer (CFO)	Board of Directors	Company Secretary
182	What is the penalty for default in compliance with maintenance of cost records?	₹25,000 to ₹5,00,000 for company; officer in default – ₹25,000 to ₹1,00,000 or imprisonment	₹1,00,000 or imprisonment for cost auditor	₹25,000 to the company only	Flat ₹10,000 penalty for all defaults
183	In case of a new company, cost auditor must be appointed within:	90 days of incorporation	30 days from date of incorporation	180 days of the financial year	Before completion of first audit
184	Which authority prescribes the product classifications under cost audit applicability?	Institute of Cost Accountants of India	Ministry of Commerce	Securities Exchange Board of India	Ministry of Corporate Affairs
185	Which of the following is not a disqualification for appointment as a cost auditor under Section 141(3)?	A person indebted to the company for ₹5,000	A body corporate	A relative holding securities worth ₹120,000	A firm where partner holds securities in the company
186	A cost auditor must submit his report to:	Shareholders directly	Board of Directors	Registrar of Companies	Audit Committee only



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
187	Cost auditor is required to maintain working papers and audit documentation for a minimum of:	3 years	5 years	7 years	10 years
188	Which professional body regulates the conduct and ethics of Cost Auditors in India?	ICAI	SEBI	ICMAI	MCA
189	Can a statutory auditor of the company also be appointed as cost auditor?	Yes, if Board permits	Yes, for private companies only	No, this is specifically prohibited	Yes, for group companies
190	A cost auditor is not permitted to:	Express opinion on adequacy of cost records	Provide internal audit services to the same company	Verify compliance with Cost Accounting Standards	Certify Product-wise Profitability statements
191	A product requires 10 kg of raw material costing ₹50 per kg, but due to wastage, 12 kg is used. As per CAS 4, the cost of raw material to be charged to the product is:	₹ 500	₹ 600	₹ 550	₹ 450
192	A company imports 500 kg at \$20/kg. Exchange rate = ₹75. Customs duty = 10%. Freight = ₹5,000. What is total landed cost?	₹ 8,30,000	₹ 8,50,000	₹ 8,75,000	₹ 8,25,000
193	Subsidized meals: ₹30 charged to employee, actual cost ₹80. 100 employees, 25 days. What cost is added to employee cost?	₹ 1,25,000	₹ 75,000	₹ 1,00,000	₹ 50,000
194	A factory pays basic ₹8,00,000, DA ₹2,00,000, bonus ₹80,000, and PF ₹96,000. What is total employee cost as per CAS-7?	₹ 10,00,000	₹ 11,06,000	₹ 10,80,000	₹ 11,76,000
195	Under CAS 13 (Cost of Utilities), if the factory power cost is ₹1,00,000 and 20% is consumed by non-production departments, the cost to be allocated to production is:	₹ 80,000	₹ 1,00,000	₹ 20,000	₹ 0
196	As per CAS 12 (Employee Cost), which of the following costs should be excluded from employee cost?	Salaries and wages	Bonus and incentives	Interest on employee loans	Contribution to provident fund
197	CAS 10 deals with direct expenses. Which of the following expenses can be classified as direct expenses?	Royalties on production	Salaries of factory security staff	Rent of office building	Power used in administration
198	Which of the following is least likely to be part of a cost audit programme?	Verification of cost records	Checking compliance with CAS	Cross-verification of inventory valuation	Calculation of EPS
199	What would most likely modify a pre-approved cost audit programme?	Auditor's leave	Change in stock valuation method	Increase in product price	Change in marketing strategy
200	What is the role of working papers in a cost audit programme?	Optional records	Shared with tax authorities	Basis for opinion and future reference	Discarded after report
201	First step in preparing audit programme for a new client with decentralized operations?	Verify financial ratios	Evaluate statutory audit	Understand cost system and operations	Perform analytical procedures
202	Which audit procedure is performed during execution phase?	Understanding entity's cost structure	Designing audit programme	Performing sampling and vouching	Assessing risk of misstatement
203	Incomplete documentation increases risk of:	Fraud going undetected	Higher production cost	Delayed turnover	No change in opinion



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
204	Main purpose of evaluating internal control in cost audit?	Detect tax fraud	Reduce audit scope	Assess data reliability	Verify shareholding pattern
205	If the auditor concludes that some audit evidence is insufficient, what should be done?	Ignore if deadlines are tight	Seek additional evidence before forming an opinion	Qualify the cost statements without informing management	Submit a disclaimer of opinion immediately
206	If the cost auditor detects fraud during the preparation of the cost audit report, what is the immediate responsibility?	File police report	Notify SEBI	File ADT-2	Report to Board, then CG if unaddressed
207	The responsibility to ensure timely filing of the cost audit report with the Central Government lies with:	Cost Auditor	Company Secretary	MD or Whole-time Director	Audit Committee
208	Which of the following is not included in the cost audit report annexure?	Value addition and distribution of earnings	Related party transactions for cost records	Financial ratios and reconciliation	Director's remuneration details under Schedule V
209	Which of the following statements is true regarding the signature of cost audit report?	It must be signed only by a statutory auditor	It is digitally signed by the cost auditor using DSC	It is signed in physical form only	It does not require signing if filed online
210	Management Audit is best described as:	An investigation into tax liabilities	An evaluation of managerial activities and performance	A statutory check of accounts	A legal compliance exercise
211	The main objective of Management Audit is to:	Identify fraud in accounting records	Certify balance sheet accuracy	Verify cash transactions	Suggests appropriate cost effective implementation of plans
212	Management Audit differs from financial audit because it:	Is legally compulsory	Focuses on accounting standards	Involves only external auditors	Emphasizes operational performance rather than records
213	Which of the following is not a purpose of Management Audit?	Identifying weaknesses in systems	Suggesting operational improvements	Evaluating management efficiency	Calculating depreciation
214	Management Audit primarily helps an organization to:	Reduce income tax	Evaluate managerial effectiveness	Calculate capital gains	File statutory reports
215	A key advantage of involving CMAs in management audit is:	Increased legal compliance workload	Focused insights on cost control and process efficiency	Delay in audit completion	Shift of responsibility to tax authorities
216	The primary purpose of management reporting is to:	Meet statutory audit requirements	Support managerial decision-making	Replace financial statements	Calculate tax liabilities



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
217	Which of the following is not typically part of management reporting?	Performance summaries	Horizontal comparison of results	Legal judgments	Trend charts
218	Capacity utilisation is best expressed as:	$\text{Actual Output} \div \text{Maximum of Output} \times 100$	$\text{Maximum Output} \div \text{Actual Output} \times 100$	$\text{Planned capacity} \div \text{Installed capacity} \times 100$	$\text{Installed capacity} \div \text{Actual capacity} \times 100$
219	Productivity is generally measured as:	$\text{Total inputs} \div \text{Total outputs}$	$\text{Total outputs} \div \text{Total inputs}$	$\text{Total fixed costs} \div \text{Total variable costs}$	$\text{Profit} \div \text{Sales}$
220	Total productivity considers:	Only labour	Only material	All resources	Only energy
221	Internal audit under Companies Act, 2013, must be conducted by:	Chartered Accountant only	Chartered Accountant or Cost Accountant	employee of the company	Any of the above
222	Energy audits primarily aim to:	Identify legal compliance gaps	Determine tax liability	Identify energy saving opportunities	Increase production capacity
223	Energy intensity is usually expressed as:	$\text{Output} \div \text{Labour hours}$	$\text{Energy consumption per unit of output}$	$\text{Energy cost} \div \text{Total sales}$	$\text{Fixed cost per unit}$
224	Contribution is defined as:	$\text{Sales} - \text{Fixed cost}$	$\text{Sales} - \text{Variable cost}$	$\text{Variable cost} - \text{Fixed cost}$	$\text{Profit} - \text{Fixed cost}$
225	Break-even point occurs when:	$\text{Total sales} = \text{Total variable cost}$	$\text{Total sales} = \text{Total fixed cost}$	$\text{Total contribution} = \text{Total fixed cost}$	$\text{Total profit} = \text{Total contribution}$
226	Contribution per unit helps in:	Pricing decisions	Interest calculations	Tax liability estimation	Preparing balance sheet
227	Variable costs primarily change with:	Management structure	Inflation	Volume of output	Fixed assets
228	Working capital is defined as:	$\text{Current assets} + \text{Current liabilities}$	$\text{Current assets} - \text{Current liabilities}$	$\text{Fixed assets} - \text{Current liabilities}$	$\text{Reserves} + \text{Liabilities}$
229	A current ratio of less than 1 indicates:	Ideal liquidity	Poor liquidity position	Strong profitability	Excess cash
230	Quick ratio excludes:	Cash	Accounts receivable	Inventory	Prepaid expenses
231	An efficient working capital policy aims to:	Increase inventory levels	Reduce cash balance	Maintain optimum liquidity	Increase payables indefinitely
232	Labour turnover ratio indicates:	Stability of workforce	Profitability ratio	Liquidity position	Capacity utilisation
233	Standard costing is mainly used to:	Evaluate stock prices	Control costs through variance analysis	Estimate future tax liabilities	Measure liquidity ratios
234	Ratio analysis is mainly used to:	Analyse financial performance and efficiency	Determine standard costs	Prepare break-even charts	Forecast demand



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
235	A reduction in output per unit of input usually means:	Increased efficiency	Constant efficiency	Decreased productivity	Improved profitability
236	A CSR audit helps to ensure:	Only financial reporting compliance	Only profitability increase	Transparency in social spending and outcomes	Tax rebate calculation
237	CSR audit is closely linked to:	Statutory tax deduction	Social accountability and sustainability	Financial accounting standards	Ratio analysis
238	Social cost-benefit analysis audit focuses on:	Profitability for shareholders	Economic and social impact on society	Cost of production only	Tax compliance
239	ESG Audit focuses on:	Only economic performance	Environmental, social, and governance factors	Compliance with tax laws	Marketing efficiency
240	ESG performance is often disclosed through:	Cost audit report	Integrated reporting or sustainability report	Internal audit report only	Trial balance
241	A good CSR strategy contributes to corporate image because:	It decreases profit	It improves brand credibility	It focuses on litigation	It removes marketing expenses
242	Cyber security focuses on:	Employee salaries	Protecting digital assets from unauthorized access and attacks	Printing documents faster	Reducing physical theft only
243	A key responsibility of IS/IT auditors in banks is to:	Approve loan applications	Monitor access controls and compliance with regulations	Hire new staff	Close accounts
244	Internal controls are evaluated periodically to:	Reduce taxation	Assess efficiency and identify weaknesses	Increase working capital	Prepare marketing plans
245	A key difference between internal and external audit is:	Internal audit is statutory; external audit is voluntary	Internal audit is management-oriented; external audit is shareholder-oriented	Internal audit prepares trial balance; external audit prepares budget	Internal audit is only annual; external audit is continuous
246	A CMA conducting operational audit in a manufacturing company may review:	Machine utilisation and production planning	Customer satisfaction surveys only	External audit report of the previous year	Tax litigation only
247	The primary objective of forensic audit is to:	Prepare financial statements	Detect, investigate, and prevent fraud or financial misconduct	Compute tax liability	Improve marketing efficiency



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SL NO	QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4
248	The primary objective of anti-money laundering regulations is to:	Reduce marketing costs	Prevent the conversion of illegal funds into legal assets	Increase production efficiency	Minimise tax payments only
249	The three stages of money laundering are:	Initiation, planning, execution	Placement, layering, integration	Detection, reporting, recovery	Deposit, withdrawal, investment



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ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
1	Cost Audit was first introduced in the year _____.	1965
2	Cost Audit was first introduced for _____ industry	Cement
3	Govt. of India has issued order with respect to introduction of mandatory Cost Audit of Cost Records maintained by the Companies in the year _____.	2011
4	The report on the audit of cost records is submitted by the cost auditor to _____.	Board of Directors
5	The cost auditor of the company who is in default in compliance with section 148 shall be punishable in the manner as provided in _____.	sub-sections (2) to (5) of section 147 of Companies Act, 2013
6	Cost Audit represents true and fair view of the _____ of any product.	Cost of production
7	Cost Audit _____ conducted by a Chartered Accountant	Cannot be
8	Which of the following are the objectives for which cost audit is undertaken?	All of the above
9	The applicability of cost audit under Companies (Cost Records & Audit) – Rules, 2014 for regulated industries having overall annual turnover during immediate preceding financial year is _____.	₹50.00 crores or more
10	The Company has to upload CRA-4 electronically to the MCA under the rule _____ of Companies (Cost Records & Audit) Rules, 2014	Rule 6 (6)
11	The form in which the cost records shall be maintained	CRA-1
12	Which of the following type of Electricity Company is under the purview of regulated sector?	All the above
13	Which one of the below is not a regulated industry?	Automobile
14	Any casual vacancy in the office of a cost auditor, whether due to resignation, death or removal to be filled by the Board of Directors within _____ days of occurrence of such vacancy.	30 days
15	Machinery used in defense, space and atomic energy sector and fulfilling turnover criteria is under	unregulated sector
16	The Institute of Cost and Works Accountants of India (ICWAI) was renamed as “The Institute of Cost Accountants of India” in the year _____.	2012
17	For regulated sector cost audit requirement has been made subject to a turnover based threshold	50 Crores
18	A company, engaged in construction business, is covered under the Companies(Cost Records and Audit) Rules, 2014 but does not include _____.	a company working in a Special Economic Zone
19	As per Part D, Para 4 of the Companies (Cost Records and Audit) Rules, 2014, Value Addition and Distribution of Earnings are to be computed based on	Audited Financial Data
20	CCRA – Rules, 2014 is applicable from the financial year commencing on or after	01.01.2014
21	The Cost Auditor appointed has to render the cost audit report to the board of directors of the Company, as per the specified time limit, in Form _____.	CRA-3
22	The cost records are to be maintained as specified in:	CRA1
23	Sugar and Industrial Alcohol’ belong to _____ sector for the purpose of Application of Cost Records.	Regulated
24	The Central Govt. released the CCRA – Rules, 2014 in pursuance to the powers vested with it U/s ----- of the Companies Act, 2013	Section 469 and 148
25	The CCRA – Rules, 2014 supersedes	All the above
26	The provisions related to maintenance of cost records were introduced in the year ----- by amendment to the Companies Act, 1956.	1965
27	The CCRA – Rules, 2014 is not applicable to	MSME



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ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
28	The cost audit report under CCRA – Rules, 2014 is to be submitted in -----	Form – 3
29	Which one of the below is not a regulated industry	Aluminium
30	As per the CAS 23, the activity of Overburden Removal that benefits the identified component of an ore to be mined by the entity is called as	Stripping Activity
31	Cost Information _____ the organization to structure the cost, understand it and use it for communicating with the stakeholders.	Enables
32	The appointment of Cost Auditor is defined under section _____ of the Companies Act, 2013.	Section 148(3)
33	A cost accountant who fails comply with the provisions of sub-section (12) of Sec. 143 of the Companies Act, 2013, shall be punishable with fine of maximum ` _____.	` 25.00 lakhs
34	Cost auditor to report fraud under section _____ of Companies Act, 2013.	Section 143(12)
35	Any casual vacancy in the office of a cost auditor, shall be filled by the Board of Directors within _____ days of occurrence of such vacancy.	30
36	Which one of the following is not a professional misconduct in relation to Cost Accountants in Practice as per the Second Schedule of The CWA Act, 1959?	In the opinion of the Council, he/she brings disrepute to the Profession or the Institute as a result of his/her action whether or not related to his/her professional work
37	Which of the following is not a Professional Misconduct as per the First Schedule of The CWA Act, 1959, in relation to the Cost Accountants in Practice?	Expresses his/her opinion on cost or pricing statements of any business or enterprise in which, he/she, his/her firm or a partner in his/her firm has substantial interest
38	The cost auditor to be appointed within ----- days of the beginning of the financial year	180 days
39	Relatives of any partner of the firm holding any security of or interest in the company of face value exceeding ` _____ lakh can not be appointed as the Cost Auditor of that company.	One
40	Cost audit is to be conducted by a cost auditor who is a/an _____.	Qualified cost and management accountant
41	The cost auditor is _____ for forming and expressing an opinion on the cost statements.	Responsible
42	The cost auditing standards deal with the _____ of the cost	Responsibility
43	Which of the following persons shall NOT be appointed as cost auditor of a company:	Both A&B
44	Which of the following persons shall not be appointed as auditor of a company?	All of the above
45	Which of the following particulars relating to wages and salaries be included in Cost Auditor's Report to the Director of the company?	All of the above
46	CAS-17 deals with _____ .	Interest & Financing charges
47	CAS 21 deals with _____ .	Quality Control
48	The foreign exchange component of imported material is converted at the rate on _____ .	Date of Transaction
49	Which of the following is not forming part of Cost of transportation?	Demurrage Charge
50	Idle capacity is the difference between _____ .	Installed capacity and Actual Capacity Utilisation
51	Which of the following is not part of the Employee Cost as per CAS-7?	Compensation for Lay off period
52	CAS 9 deals with	Packing Material Cost



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SL NO	QUESTIONS	CORRECT ANSWER
53	The Institute of Cost and Works Accountants of India (ICWAI) was renamed as "The Institute of Cost Accountants of India" in the year _____.	2012
54	CAS-20 deals with _____.	Royalty and Technical Knowhow fee
55	As per CAS 2 Actual Capacity utilization shall be presented as a percentage of _____ capacity.	Installed Capacity
56	CAS 5 deals with _____.	Equalized cost of transportation
57	Cost Accounting Standard 8 is a Cost Accounting Standard on _____.	Utilities Cost
58	Under the Generally Accepted Cost Accounting Principles, the cost of cane supplied from own farm to the sugar mill is treated as _____.	Direct Materials Cost
59	The Cost Accounting Standard 15 is a Cost Accounting Standard on _____.	Selling and Distribution Overheads Cost
60	Royalty paid on production ₹35,000, Job Charges ₹20,000, Special Design Charges ₹ 20,000, Software Development Charges related to Production ₹27,000, and Travelling abroad for Training ₹25,000 The Direct Expenses as per CAS 10 is ₹ _____.	1,27,000
61	As per Part D, Para 4 of the Companies (Cost Records and Audit) Rules, 2014, Value Addition and Distribution of Earnings are to be computed based on _____.	Both (A) and (B)
62	Variances due to abnormal reasons ----- form part of cost as per GACAP.	Will Not
63	Cost auditing standard deals with _____.	Auditors responsibility
64	Cost auditing standards preface to the standards on auditing, quality control review and related services rendered by the cost accountant has been issued by _____.	CAASB
65	Cost Auditing Standard 102 deals with _____.	Cost Audit Documentation
66	As per the Central Excise Valuation Rules 2000, the assessable value of goods used for captive consumption is _____.	at 110% of cost of production of such goods
67	As per the Cost Auditing Standard 101, the risk of Material Misstatements has two components, viz., _____.	Inherent Risk and Control Risk
68	The objective of CAS – 101 is to _____.	Guide the members to make planning for the audit of cost statement
69	Overall Objectives of the independent Cost Auditor and conduct of an Audit in accordance with Cost Auditing Standard is dealt in _____.	Cost Auditing Standard 103
70	CAS _____ ensures the achievement of audit objectives with available resources and securing coordination with the auditee on audit work.	CAS- 101
71	Cost Accounting Standard 18 is a Cost Accounting Standard on _____.	Research & Development Cost
72	Cost Accounting Standard 21 is a Cost Accounting Standard on _____.	Quality Control
73	The procedures followed by the cost auditor to reduce the audit risk to an acceptable level will not detect a misstatement that exists and that could be material is _____.	Detection risk
74	CAS 104 enables the cost auditor _____.	To have knowledge of the clients business
75	Requirements of CAS – 104, the cost auditor shall _____.	Have adequate level of understanding of the knowledge of business
76	Penalty paid to PF authorities is _____ in employee cost.	Excluded
77	Demerit of Audit Programme is :	All of these
78	Cost Auditor is appointed by :	Board of Directors on recommendation from Audit Committee
79	_____ is a written plan containing details with regard to the conduct of a particular audit .	Audit Programme
80	Verification of assets involves a critical examination of _____.	Both (a) & (b)



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SL NO	QUESTIONS	CORRECT ANSWER
81	Arrange the following stages of an audit of cost statement in the correct sequence : A. Performing B. Planning C. Reporting	B,A,C
82	During the planning stages of the final audit , the auditor believes that the probability of giving an inappropriate audit opinion is too high. How should the auditor amend the audit plan to resolve this issue ?	Decrease the detection risk
83	Which of the following is not a type of audit opinion ?	Reserved opinion
84	SA 230 stands for _____.	Audit Documentation
85	SA 300 stands for _____.	Audit Planning
86	XBRL is the abbreviated form of :	eXtensible Business Reporting Language
87	XML stands for what?	All of these
88	XBRL is a language based on :	XML family of languages
89	If the auditor is satisfied for all five points , he will submit	Unqualified Report
90	Management auditor should have a thorough knowledge of _____	All of the above
91	A management auditor can recommend the most suitable system of flow of information _____	Internally and externally
92	Management auditor should be well versed with _____.	All of the above.
93	Which of the following statements are true about management audit?	No, time limit can be fixed for submission of the report under management audit.
94	Cost audit is a verification of cost records to estimate the efficiency of a business	Internal
95	The management auditor's work begins	After the work of a statutory auditor ends
96	Management audit is useful for	All of the above
97	The main emphasis of Management Audit is:	Problem identification
98	Which of the following is a kind of information report?	All of the above.
99	The backbone of any organisation is _____	Information
100	Which of these is usually written in a form of a memorandum?	Informal reports.
101	_____ are to be presented after making an investigation of the problem which requires to be investigated.	Special reports
102	_____ is a very important method of presenting information to the management in a pictorial manner and attracts the eye of the recipient more quickly and forcibly.	Graphic Presentation
103	_____ report provides rationed findings	Interpretative
104	Which of these must be avoided in a technical report?	Subjective evaluation.
105	Reports present conclusions based on _____.	Investigation
106	As per Leslie R. Howard, a Management audit is an investigation of a business from the _____ in order to ascertain whether sound management prevails throughout.	Highest level downwards
107	Important point in corporate planning is _____	SWOT analysis
108	Consumer Service Audit is part of _____	Social Audit
109	Management Audit Report Submitted to:	Management of Concern
110	There are no fixed items of evidence to be checked by Management Auditor. A Management Auditor has to rely more on _____.	his experience and acumen
111	What is the main factor to maintain corporate image?	All of these
112	What is the business case for CSR?	All of these
113	Who is starting point of bottom-up communication?	Employees.
114	What is the essential trait of a PRO?	All of these.
115	Mass communication is the process of _____ by spreading a message to the desired public.	Mass persuasion.
116	Which type of advertising focuses on the basis of experience that customers have with a company?	Perception Oriented.
117	Which strategy influences internal communications?	Both of above



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SL NO	QUESTIONS	CORRECT ANSWER
118	What refers to the act of offense of saying something false or malicious that damages somebody's reputation?	Slander.
119	Control in the design of an information system is used to _____	Ensure that the system processes data as it was designed to and that the results are reliable.
120	A check-point procedure _____ .	Breaks programs into portions at the end of each of which a check point program is executed.
121	Audit in the design of information system is used to _____	Inspect the system and check that it is built as per specifications.
122	By auditing around the computer, we mean _____ .	The inputs and the corresponding outputs are compared and checked for correctness.
123	An audit trail is established in a system to _____ .	Localize the source of an error in a system.
124	Parallel runs are used _____	When a system is initially implemented.
125	Security in the design of information systems is used to _____ .	Protect data and programs from accidental or intentional loss
126	A firewall is used in a system connected to a wide area network to _____	Prevent unauthorized access by hackers.
127	Several checks & controls exercised in a business to ensure its efficient working is known as:	Internal check.
128	The work of one clerk is automatically checked by another clerk is called:	Internal check.
129	Internal controls and internal checks are:	Internal control includes internal checks.
130	Which of the following statements is not true about a continuous audit?	It is needed when the organisation has a good internal control system.
131	Verification is _____.	The act of establishing the accuracy of entries in the books of accounts.
132	The main objectives of investigation is _____	All the above
133	The company's auditor is expected to give _____	His expert opinion about the accounts.
134	Which of the following is not likely to be a fraud risk factor relating to management characteristics?	Adoption of conservative accounting principles
135	Financial auditor submits reports to the	Shareholder
136	Audit under any statute in a country is called	Statutory audit
137	CAATTS is also known as	Computer Assisted Audit Tools and Techniques
138	Auditor has got no lien on	Books to Accounts of Client
139	Internal audit is conducted	Throughout the year
140	Test checking is done when there is an effective system of _____.	Internal check
141	Treating revenue expenditure as capital expenditure is an example of error of	Principle
142	Verification of assets involves a critical examination of	All of these
143	NGO(s) are incorporated under	All of the above.
144	Management audit _____ on financial matters.	Does not concentrate
145	The main objectives of management audit is to _____.	Suggest improvement in methods of operations
146	The main emphasis of Management Audit:	Problem identification
147	Management audit is normally presumed to be a _____ into a performance of a manager or group of managers.	Non-routine investigation
148	C&AG has the right to direct how the company's accounts shall be audited by the auditor and to give such auditor instructions regarding any matter relating to the performance of his functions as per section _____.	143 of the Companies Act, 2013
149	Who appoints the auditor for the Government Company?	C&AG
150	Non-Governmental Organisations can be incorporated as a company	Section 8 of the Companies Act, 2013.
151	Financial Administration of Local Bodies includes	All of the above



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COST AND MANAGEMENT AUDIT (PAPER - 17)

ANSWERS TO MCQ BANK

SL NO	QUESTIONS	CORRECT ANSWER
152	Forensic Accounting is defined as:	The application of investigative and analytical skills to resolve financial issues in a manner that meets standards required by courts of law
153	When the auditor tests the documents by keeping them side by side then it is known as _____.	Juxtaposition test.
154	As per the study of ACFE, the following category of individuals commit the highest frauds (in monetary terms)_____.	Senior level management
155	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:	Fraud.
156	_____ are the elements of fraud.	All of the above.
157	_____ happens when the fraudster avails multiple loans for the same property simultaneously for a total amount over the actual value of the property	Shot gunning.
158	Significant increase in working capital borrowing as a percentage of turnover is a_____.	Red flag
159	The principle of 3D vision includes _____.	Both (a) & (b).
160	"Fraud is a deliberate act of omission or commission by any person, carried out in the course of a banking transaction or the books of accounts maintained manually or under computer system in banks, resulting into wrongful gain to any person for a temporary period or otherwise, with or without any monetary loss to the bank" is a definition given by:	RBI.
161	Prevention of Money-Laundering Act, 2002 is?	Act No.15 of 2003
162	Prevention of Money Laundering Act, 2002 came into force on?	1st July 2005
163	"Precious metal" as defined by PMLA Act, 2002 does not include?	Diamond
164	Offence of money laundering is defined in which section of PMLA Act, 2002	Section 3
165	"Punishment for money-laundering" is defined under which Section of PMLA Act 2002?	Section 4
166	Which of the following is not prescribed in the provision of the Prevention of Money Laundering Act, 2002?	Life Imprisonment
167	As per section 5 of PMLA Act, 2002, the property can be provisionally attached for a period not exceeding _____ from the date of the order?	180 days
168	Director or any other officer who provisionally attaches any property under PMLA Act, 2002, shall, within a period of days from such attachment, file a complaint stating the facts of such attachment before the Adjudicating Authority?	Thirty days
169	Which among the following authority appointed by the Central Government shall exercise jurisdiction, powers, and authority conferred by or under the Prevention of Money Laundering Act, 2002?	Adjudicating Authority
170	Cost Accounting Standards (CAS) are relevant in cost audit because they:	Provide a uniform basis for cost measurement and disclosure for comparability
171	Which of these is not typically an advantage of cost audit?	Guaranteeing profitability of the company
172	Which among the following is not part of the basic components (nature) of cost audit?	Detecting fraud relating to financial accounts only
173	A cost auditor finds that a company is not following a particular Cost Accounting Standard which materially affects cost disclosure. His reporting responsibility is to:	Qualify the cost audit report mentioning non-compliance
174	As per Companies (Cost Records and Audit) Rules, 2014, cost records are required to be maintained by:	Companies engaged in regulated sectors meeting specified turnover thresholds



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175	A company is required to maintain cost records if overall turnover from all products/services is:	₹35 crore or more
176	Cost audit is applicable if overall turnover from regulated sectors is $\geq$ ₹50 crore and overall turnover from all products/services is:	₹100 crore or more
177	Which of the following is a regulated sector under the Rules?	Power generation
178	As per the Rules, which form must be filed with the Board for appointment of cost auditor?	CRA-2
179	The due date for filing the cost audit report in CRA-4 is within:	30 days from the date of submission of report to the Board
180	Which of the following types of companies are exempt from cost audit requirements?	Companies operating from Special Economic Zones (SEZs)
181	Who is responsible for maintaining cost records as per the Rules?	Board of Directors
182	What is the penalty for default in compliance with maintenance of cost records?	₹25,000 to ₹5,00,000 for company; officer in default – ₹25,000 to ₹1,00,000 or imprisonment
183	In case of a new company, cost auditor must be appointed within:	180 days of the financial year
184	Which authority prescribes the product classifications under cost audit applicability?	Ministry of Corporate Affairs
185	Which of the following is not a disqualification for appointment as a cost auditor under Section 141(3)?	A person indebted to the company for ₹5,000
186	A cost auditor must submit his report to:	Board of Directors
187	Cost auditor is required to maintain working papers and audit documentation for a minimum of:	10 years
188	Which professional body regulates the conduct and ethics of Cost Auditors in India?	ICMAI
189	Can a statutory auditor of the company also be appointed as cost auditor?	No, this is specifically prohibited
190	A cost auditor is not permitted to:	Provide internal audit services to the same company
191	A product requires 10 kg of raw material costing ₹50 per kg, but due to wastage, 12 kg is used. As per CAS 4, the cost of raw material to be charged to the product is:	₹ 500
192	A company imports 500 kg at \$20/kg. Exchange rate = ₹75. Customs duty = 10%. Freight = ₹5,000. What is total landed cost?	₹ 8,30,000
193	Subsidized meals: ₹30 charged to employee, actual cost ₹80. 100 employees, 25 days. What cost is added to employee cost?	₹ 1,25,000
194	A factory pays basic ₹8,00,000, DA ₹2,00,000, bonus ₹80,000, and PF ₹96,000. What is total employee cost as per CAS-7?	₹ 11,76,000
195	Under CAS 13 (Cost of Utilities), if the factory power cost is ₹1,00,000 and 20% is consumed by non-production departments, the cost to be allocated to production is:	₹ 80,000
196	As per CAS 12 (Employee Cost), which of the following costs should be excluded from employee cost?	Interest on employee loans
197	CAS 10 deals with direct expenses. Which of the following expenses can be classified as direct expenses?	Royalties on production
198	Which of the following is least likely to be part of a cost audit programme?	Calculation of EPS
199	What would most likely modify a pre-approved cost audit programme?	Change in stock valuation method
200	What is the role of working papers in a cost audit programme?	Basis for opinion and future reference
201	First step in preparing audit programme for a new client with decentralized operations?	Understand cost system and operations
202	Which audit procedure is performed during execution phase?	Performing sampling and vouching
203	Incomplete documentation increases risk of:	Fraud going undetected
204	Main purpose of evaluating internal control in cost audit?	Assess data reliability



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205	If the auditor concludes that some audit evidence is insufficient, what should be done?	Seek additional evidence before forming an opinion
206	If the cost auditor detects fraud during the preparation of the cost audit report, what is the immediate responsibility?	Report to Board, then CG if unaddressed
207	The responsibility to ensure timely filing of the cost audit report with the Central Government lies with:	MD or Whole-time Director
208	Which of the following is not included in the cost audit report annexure?	Director's remuneration details under Schedule V
209	Which of the following statements is true regarding the signature of cost audit report?	It is digitally signed by the cost auditor using DSC
210	Management Audit is best described as:	An evaluation of managerial activities and performance
211	The main objective of Management Audit is to:	Suggests appropriate cost effective implementation of plans
212	Management Audit differs from financial audit because it:	Emphasizes operational performance rather than records
213	Which of the following is not a purpose of Management Audit?	Calculating depreciation
214	Management Audit primarily helps an organization to:	Evaluate managerial effectiveness
215	A key advantage of involving CMAs in management audit is:	Focused insights on cost control and process efficiency
216	The primary purpose of management reporting is to:	Support managerial decision-making
217	Which of the following is not typically part of management reporting?	Legal judgments
218	Capacity utilisation is best expressed as:	$\text{Actual Output} \div \text{Maximum of Output} \times 100$
219	Productivity is generally measured as:	$\text{Total outputs} \div \text{Total inputs}$
220	Total productivity considers:	All resources
221	Internal audit under Companies Act, 2013, must be conducted by:	Chartered Accountant or Cost Accountant
222	Energy audits primarily aim to:	Identify energy saving opportunities
223	Energy intensity is usually expressed as:	Energy consumption per unit of output
224	Contribution is defined as:	Sales – Variable cost
225	Break-even point occurs when:	Total contribution = Total fixed cost
226	Contribution per unit helps in:	Pricing decisions
227	Variable costs primarily change with:	Volume of output
228	Working capital is defined as:	Current assets – Current liabilities
229	A current ratio of less than 1 indicates:	Poor liquidity position
230	Quick ratio excludes:	Inventory
231	An efficient working capital policy aims to:	Maintain optimum liquidity
232	Labour turnover ratio indicates:	Stability of workforce
233	Standard costing is mainly used to:	Control costs through variance analysis
234	Ratio analysis is mainly used to:	Analyse financial performance and efficiency
235	A reduction in output per unit of input usually means:	Decreased productivity
236	A CSR audit helps to ensure:	Transparency in social spending and outcomes
237	CSR audit is closely linked to:	Social accountability and sustainability
238	Social cost-benefit analysis audit focuses on:	Economic and social impact on society
239	ESG Audit focuses on:	Environmental, social, and governance factors
240	ESG performance is often disclosed through:	Integrated reporting or sustainability report
241	A good CSR strategy contributes to corporate image because:	It improves brand credibility
242	Cyber security focuses on:	Protecting digital assets from unauthorized access and attacks
243	A key responsibility of IS/IT auditors in banks is to:	Monitor access controls and compliance with regulations



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244	Internal controls are evaluated periodically to:	Assess efficiency and identify weaknesses
245	A key difference between internal and external audit is:	Internal audit is management-oriented; external audit is shareholder-oriented
246	A CMA conducting operational audit in a manufacturing company may review:	Machine utilisation and production planning
247	The primary objective of forensic audit is to:	Detect, investigate, and prevent fraud or financial misconduct
248	The primary objective of anti-money laundering regulations is to:	Prevent the conversion of illegal funds into legal assets
249	The three stages of money laundering are:	Placement, layering, integration