

**CMA JANUARY 2022 EXAMINATION
 ADVANCED LEVEL II
 COST & MANAGEMENT AUDIT**

| | |
|---------------------------|----------------------------|
| Course Code : AA252 | Total Marks : 100 |
| Reading Time : 15 minutes | Writing Time : 180 minutes |

Instructions to Candidates

- You **MUST NOT** write anything during the reading time.
- There are 5 (five) questions.
- You should attempt ALL questions.
- Answers should be properly structured and relevant.
- Carefully read ALL the requirements and sub-questions before attempting a specific question.
- ALL answers must be written in the answer book.
- **AVOID WRITING/MARKING** on the question paper at any time which may cause disciplinary action.
- Start answering each question from a fresh sheet.
- Answers should be clearly numbered with the sub-question number.

Allowable Materials

- Writing Stationaries
- Non-programmable Calculator

Assessment Structure

| | | <i>Sub-question</i> | <i>Marks</i> | <i>Expected Time Required</i> |
|------------|--------------------------|---------------------|--------------|-------------------------------|
| Question 1 | Essay/Computational/Case | 3 | 20 | 35 minutes |
| Question 2 | Essay/Computational/Case | 2 | 20 | 35 minutes |
| Question 3 | Essay/Computational/Case | 3 | 20 | 35 minutes |
| Question 4 | Essay/Computational/Case | - | 20 | 35 minutes |
| Question 5 | Essay/Computational/Case | 4 | 20 | 35 minutes |
| | Revision | | | 5 minutes |
| | Total | | 100 | 180 minutes |

RESTRICTED USE

This paper **MUST NOT BE REMOVED** from the examination venue

Do not turn the page until instructed

QUESTION 1**[(4+6+10) = 20] MARKS]**

- (a) State the role of Cost Auditor to add value of an organisation.
- (b) "Practice of Cost Accounting, Cost Audit and implementation of Cost Audit Standard published by ICMAB is effective tools for pricing, cost controlling and profit maximizing". Briefly discuss.
- (c) Mr. Rahman was appointed as Cost Auditor of MNC Ltd. for the Financial Year 2019-20. State the following:
- How long the Cost Auditor can continue to hold office for the financial year?
 - In what format the Cost Auditor shall submit his/her report?
 - What was the formality to be observed by the Board of Directors if the cost Auditor did resign on 31.01.2020?

QUESTION 2**[(10+10) = 20 MARKS]**

- (a) Rahim Manufacturer Ltd. received an enquiry for 250,000 numbers of special type of machine parts. Capacity of the company exists for manufacturing the parts, but a fixed investment of Tk. 95,000 and working capital of to the extent of 35% of Sales value will be required to undertake the job.

The cost estimates are as follows:

Raw materials 40,000 kg at Tk. 3.00 per kg.

Labor hours 12,000 of which 800 would be overtime payable at double the normal rate.

Labor rate Tk. 3.00 per hour

Factory overhead Tk. 2.50 per direct labor hour.

Selling and distribution overhead expenses Tk. 45,400

Material recovered at the end of operation will be Tk. 12,000 (estimated)

The company expects a net return of 15% on capital employed.

As a Management accountant of the Company, you are requested to prepare Cost statement, indicating the price to be quoted by the Company to the Customer.

- (b) The management of XYZ Ltd. is worried about increasing labor turnover in the factory and, before analyzing the causes and taking the remedial steps, the management wants to have an idea of the profit foregone because of the labor turnover in the last year.

Last year, sales amount to Tk. 9,823,600 and the P/V Ratio was 20%. The total number of actual hours worked by the direct labor force was 5 lac. Because of the delays by the Personnel Department in filling vacancies due to labor turnover, 100,000 productive hours were lost. The actual labor hours included 30,000 hours attributable to training new recruits, out of which half of the hours was unproductive. An analysis of cost incurred consequent on labor turnover revealed the following:

Settlement Costs due to leaving Tk. 45,680

Recruitment Costs Tk. 30,620

Selection Costs Tk. 15,750

Training Costs Tk. 37,250

Assuming that the potential loss because of labor turnover could have been sold at the prevailing prices, find out the profit foregone in the last year on account of labor.

QUESTION 3**[(4+6+10) = 20 MARKS]**

- (a) In planning to conduct a Management Audit of an organization what documents and information should a Management Auditor need to collect?
- (b) As a management consultant, you have an assignment to conduct a Management Audit of the production function of a medium-scale engineering unit. Prepare a checklist of the points on which you should undertake the study.
- (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.

TURN OVER

QUESTION 4**[20 MARKS]**

Zaman & Co Limited. in the business of Real Estate and Consumer Goods shows the following financial position for the year ending June 30, 2020:

(Amount in BDT crore)

| | Year ended 30 June | |
|----------------------------|--------------------|-------------|
| | 2020 | 2019 |
| Liabilities: | | |
| Share Capital | 33 | 33 |
| Securities Premium Account | 931 | 928 |
| General Reserve | 57 | 44 |
| Capital Redemption Reserve | 42 | 40 |
| Profit & Loss Account | 595 | 390 |
| Long Term Borrowings | 10133 | 670 |
| Deferred Tax Liability | 25 | 39 |
| Short Term Borrowing | 782 | 676 |
| Trade Payable | 715 | 747 |
| Miscellaneous Provisions | 77 | 73 |
| Total: | 4270 | 3640 |
| Assets: | | |
| Fixed Assets (Tangible) | 647 | 614 |
| Capital WIP | 667 | 383 |
| Non-Current Investments | 2378 | 2048 |
| Long Term Loans | 53 | 66 |
| Inventories | 167 | 232 |
| Trade Receivables | 104 | 94 |
| Cash and Bank Balance | 107 | 69 |
| Other Current Assets | 25 | 30 |
| Advance for Equipment | 122 | 104 |
| Total: | 4270 | 3640 |

Profit before tax for the year 2019-20 was BDT 326 crores (Previous year BDT 397 crores).

You are required to compute the following figures/ratios as stipulated in the Annexure of cost Audit Report under the Companies (Cost Records and Audit) Rules, for the year ended 30 June 2020:

- (i) Capital Employed
- (ii) Debt Equity Ratio
- (iii) EBT to Capital Employed
- (iv) EBT to Net Worth
- (v) Current Assets to Current Liabilities

QUESTION 5**[(4x5) = 20 MARKS]**

- (a) Why is it essential to implement proper Internal Control system in any organization?
- (b) As a part of management strategy Emicon Limited, manufacturing soaps or purchased a popular soap brand 'SOFNEEL' from a smaller company.
What will be treatment of such costs and the disclosure to be made in the Cost Statements as per relevant Cost Accounting Standard?
- (c) What is 'Due Diligence' Audit? Why is it undertaken?
- (d) The managing director of Tushar Ltd discovered that staffs in the company's Supply Chain Management (SCM) department do not follow the company's policy of checking for the cheapest supplier when ordering for transport facility. For several years, they have been using one of the most expensive suppliers who periodically treat SCM department staff to meals in expensive restaurants. The managing director has expressed surprise that the cost auditors did not uncover this irregularity during the cost audit and has requested a meeting to discuss this matter. List the matters the external auditor should discuss with the managing director at the meeting.

END OF QUESTION