

HIMACHAL PRADESH PUBLIC SERVICE COMMISSION
S.A.S. (OB)-(PART-II) EXAMINATION, 2016

PAPER: III COST ACCOUNTING AND AUDITING (WITHOUT BOOKS)

TIME ALLOWED: 3 HOURS

MAXIMUM MARKS: 100

Notes:

- i) Attempt any 3 questions from Part-I and 2 from Part-II
- ii) Marks are shown against each question.
- iii) Indicate the same question number & its part as assigned in the question number while answering the same failing which such answer shall not be evaluated.
- iv) All parts of a question should be attempted at one place.

PART-I COST ACCOUNTING (60 MARKS)

(Attempt any three questions from this part)

- Q. No. 1 What are the essentials features of a Good Accounting System in a organization? Discuss briefly some of the factors which a Cost Accountant should consider before installing a good costing system in a manufacturing concern. (20)
- Q. No. 2 What is idle time? Explain the causes leading to idle time and its treatment in Cost Accounts. (20)
- Q. No. 3 (a) What are various elements of cost? Explain in brief the important ways of classification of costs.
- (b) Prepare a cost sheet showing Prime Cost, Works Expenses, Works Cost and Total Cost on the basis of the following information:-

Raw materials consumed	21,00,000
Carriage Inwards on material purchased	69,000
Repairs to Plant & Machinery	76,000
Rents & Rates, Factory	2,00,000
Rents & Rates, Office	50,000
Loss on sale of Company's property	50,000
General Expenses	85,000
Preliminary Expenses	2,02,000
Productive Wages	15,50,000
Depreciation on Plant & Machinery	90,000
Depreciation on office furniture & equipments	15,000
Written off Goodwill	1,60,000
Director's fee	1,00,000
Manager's Salary (3/4th Factory, 1/4 th Office) 16,000	1,60,000
Utilities Factory	31,000
Utilities Office	15,000
Travelling Expenses	66,000
Dividends paid	1,05,000

(10+10)

P.T.O.

- Q. No. 4 (a) What are the main objectives of material Control? Explain the concept of 'ABC Analysis' as a technique of inventory control.
- (b) About 50 items are required every day for a machine. Fixed cost of ₹ 128/- per order is incurred for placing an order. The inventory carrying cost per item is ₹ 0.02 per day. Calculate the Economic Order Quantity (EOQ) and also state the number of orders to be placed in a year. (10+10)
- Q. No. 5 (a) Define Overhead. Explain in brief the classification of various overheads according to functions.
- (b) In regard to each of the following methods of costing, explain in detail the essential characteristics of the method and indicate the type of industry of production for which these are most applicable:-
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|------------------------|----------------------|
| (i) Job costing | (ii) Process costing |
| (iii) Contract costing | (iv) Batch costing |
- (10+10)

PART-II AUDITING (40 MARKS)

(Attempt any two questions from this part)

- Q. No. 6 What is 'Audit Sampling'? Explain in detail the importance of Sampling in audit and also the auditing situations in which an auditor can apply sampling techniques? (20)
- Q. No. 7 What controls can be instituted by the management of an entity over computerized processing of accounting data to prevent data errors, frauds, accidental loss of data etc.? (20)
- Q. No. 8 (a) Define 'Materiality'. What factors should be considered by an auditor in judging the materiality of an item?
- (b) What do you understand by the term 'Internal Control Questionnaire'? List six important questions that can be included in the internal control questionnaire regarding purchase of raw materials. (10+10)
- Q. No. 9 Discuss briefly the following principles governing an Audit:-
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| (a) Integrity, objectivity and independence. |
| (b) Confidentiality. |
| (c) Work performed by others (i.e. other auditors or experts). |
| (d) Skills and Competence. |
- (5+5+5+5)