



COST AUDIT

It is an independent evaluation of the

- cost books,
- statements,
- records and
- various documents,

so as to ascertain that costs of production are presented in a true and fair manner

It specifically talks about

1. Evaluation of adherence to the relevant cost account records rules
2. Examination of the costing system of the product
3. Assessment of the organization's operational and other efficiencies
4. Submission of the audit report to the relevant authority

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Cost Audit Vs. Management Audit

COST AUDITOR

Applicable to entities prescribed by law

Basis : Standards on Cost Auditing

Reports to BOD

To VERIFY

- Cost records are correct.
- The cost accounting system, records and procedures are adequate.
- Cost accounts adhere to the cost accounting plan.
- Cost records are kept and maintained as prescribed by law.
- Cost records reflect a true and fair view of the cost of production, processing and marketing.

Who can be the Cost Auditor?



- Practicing Cost Accountant
- Practicing Chartered Accountant, under defined circumstances

Broder
Objectives
of
Cost
Audit

ADHERENCE TO LAW

PRICE FIXATION

ABNORMAL LOSS IDENTIFICATION

COMPETITIVE EDGE

FRAUDS AND ERROR DETECTION



It is the process of a systematic and independent appraisal of the performance of managerial functions.

Management Audit

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Different Business
Functions

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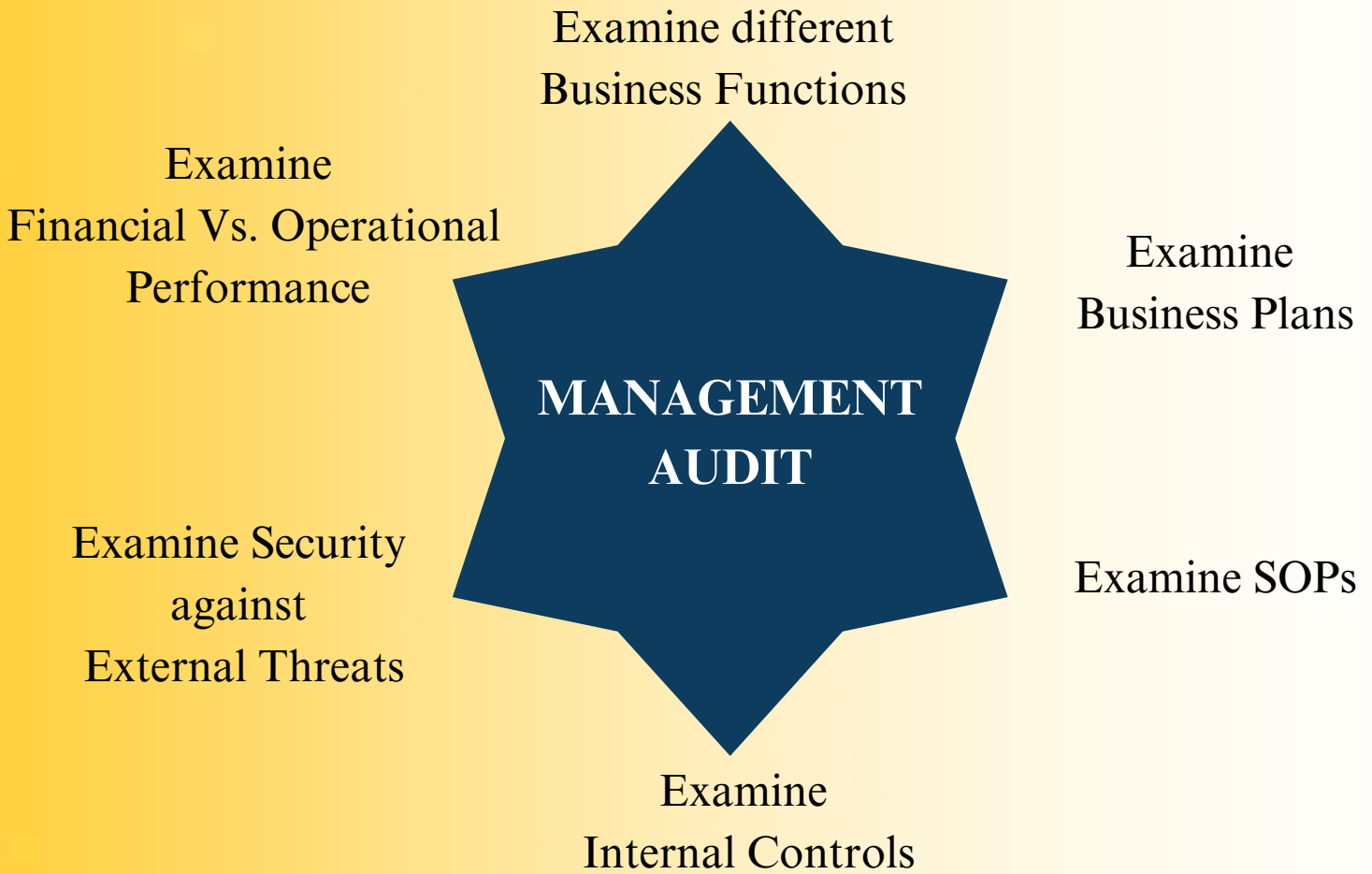
Management
Efficiency

It is the “extended version of the Internal Audit”

It is the assessment of systems that a company’s management adopts and implements

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Cost Audit Vs. Management Audit



It is very important to re-examine each parameter independently and in consonance with each other. The Management Audit will be extended subsequent to the discussion of observations with management.

Broder
Objectives
of
Management
Audit

TO IMPROVE OPERATIONAL EFFICIENCY

IDENTIFY LAPSES IN ORGANIZATIONAL STRUCTURE

STRENGTHEN INTERNAL CONTROLS

FRAUDS AND ERROR DETECTION

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Cost Audit Vs. Management Audit

PARTICULARS	COST AUDIT	MANAGEMENT AUDIT
Meaning	Refers to the comprehensive checking and examination of the correctness of the cost statements, data, records and systems.	Refers to a complete examination of the company to appraise its policies, plans and structure of the management, to ascertain its effectiveness.
Is it mandatory?	Yes, for certain classes of companies	No
Auditor's Qualification	CMA/ CA	Management Consultant
Periodicity	Every FY	Depends on management
Audit Report Submission	BOD and CG	As agreed with Management
Base	Cost statements	Managerial Activities
Audit Techniques	Examines and analyses data of material, labor and overheads.	Identifies the adequacy and reliability of procedures and internal control systems in operation.



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