

Quadrant II – Notes

Paper Code: COD 122

Module Name: Types of cost audit reports

Meaning: The cost audit report is basically a certificate containing five paragraphs on fifteen specific points where in the cost auditor of a company is required to specify either positively or negatively his impression and independent opinion regarding the cost accounting records, cost accounting system, inventory valuation etc.

Types of cost audit reports:

1. Unqualified reports: When an auditor gives an opinion on the various matters without any reservation then it is called as unqualified report for eg. An unqualified opinion can be read as under “ In our opinion and to the best of all information accordingly to the explanation given to us the balance sheet and profit and loss account gives true and fair view of the state of affairs and working results .”

2. Qualified report: This type of opinion under the CARR gives an idea where an auditor gives an opinion subject to certain reservations which is said to be qualified report for eg. “ Subject to above the report with the balance sheet shows a true and fair view ”

Under this opinion an auditor has to give a qualified opinion he should express clearly the nature of qualification of the report.

3. Adverse/ negative report: Under this report an auditor comes to any conclusion based on his examination that he does not agree with affirmations to be made which gives a negative report. For eg: A Financial auditor gives a negative report when he states that the financial statements do not represent a true and fair view of the state of affairs and the working result of the company. Sometimes the auditors gives a certificate subject to certain adjustments.

4. Disclaimers report: When an auditor fails to obtain sufficient information for the purpose of expressing his opinion at that time he can give disclaimers report. In which auditor may state that he is unable to express his opinion because he has not been able to obtain sufficient evidence in the form of an opinion.

Conclusion: 1. Audit reports provides yardsticks for the measurement of company’s overall efficiency & evaluate the company’s performance.

2. A company should never receive negative report.

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III. **REFERENCES**

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