FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION - 2016
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS	**PART-I (MCQS)**	**MAXIMUM MARKS = 20**
PART-I(MCQS): MAXIMUM 30 MINUTES	**PART-II**	**MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **FOUR** Questions from **PART-II,** selecting **TWO** questions from **EACH SECTION**. **ALL** Questions carry **EQUAL** marks
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the attempted question will not be considered.
(vii) **Use of calculator is allowed.**

PART-II
SECTION-A

Q. 2. Global Service Company was organized on April 1, 2015. The company prepares quarterly financial statements. The adjusted trial balance at June 30, 2015 is given below.

	Debits		Credits
Cash	5,190	Accumulated depreciation	700
Accounts receivable	480	Notes payable	4,000
Prepaid rent	720	Accounts payable	790
Supplies	920	Salaries and wages payable	300
Equipment	12,000	Interest payable	10
Dividends	500	Unearned rent revenue	400
Salaries and wages expense	7,400	Share capital-ordinary	11,200
Rent expense	1,200	Service revenue	11,360
Depreciation expense	700	Rent revenue	900
Supplies expense	160		
Utilities expense	350		
Interest expense	40		
Total Debits	29,660		29,660

(a). Prepare an income statement for the Quarter April 1 to June 30. **(10)**
(b). Prepare statement of Retained Earnings. **(5)**
(c). Prepare a Balance Sheet with proper headings. **(5)**

Q. 3 (a). Pool and Burns, who share profits and losses equally, decide to dissolve their partnership at June 30, 2015. Their balance sheet on that date was as follows:

	(Rs.)	(Rs.)
Buildings		80,000
Tools and fixtures		2,900
		82,900
Debtors	8,400	
Cash	600	
	9,000	
Sundry creditors	(4,100)	
Net current assets		4,900
Total Assets		87,800
Capital account. Pool		52,680
Burns		35,120
		87,800

The debtors realized Rs. 8,200, the building Rs. 66,000 and tools and fixtures Rs. 1,800. The expenses of dissolution were Rs. 400 and discounts totaling Rs. 300 were received from creditors.

Required: Prepare the accounts necessary to show the results of the realization and of the disposal of the cash. **(10)**

(b). The trial balance before and after adjustment for Mushtaq company at the end of its fiscal year is presented below.

Mushataq Company Trial Balance December 31, 2015				
	Before adjustment		**After adjustment**	
	Debit	Credit	Debit	Credit
Cash	10,400		10,400	
Accounts receivable	8,800		10,000	
Supplies	2,300		700	
Prepaid insurance	4,000		2,500	
Equipment	14,000		14,000	
Accumulated Depreciation-equipment		3,600		4,900
Accounts payable		5,800		5,800
Salaries and wages payable				1,100
Unearned rent revenue		1,500		800
Share capital ordinary		12,000		12,000
Retained earnings		3,600		3,600
Service revenue		34,000		35,200
Rent revenue		11,000		11,700
Salaries and wages expense	17,000		18,100	
Supplies expense			1,600	
Rent expense	15,000		15,000	
Insurance expense			1,500	
Depreciation expense			1,300	
	71,500	71,500	75,100	75,100

Instructions : Prepare the adjusting journal entries that were made during the period. **(10)**

Q. 4 (a). On January 1, 2015, Hydri Construction acquired a small excavator for Rs.85,000. This device had a 4-year service life. It is expected that the equipment will be sold for Rs.10,000 salvage value at the end of 4 years. The company uses the double-declining balance depreciation method.

(a) Prepare a schedule showing annual depreciation expense, accumulated depreciation and related calculations for each subsequent year.

(b) Show how the asset and related accumulated depreciation would appear on a balance sheet at December 31, 2015.

(c) Prepare journal entries to record the asset's acquisition, annual depreciation for each year, and the asset's eventual sale for Rs.10,000. **(10)**

(b). Rabika Limited has the following balance sheet and income statement for 2015

(in thousands rupees)

Balance sheet

Cash	Rs. 400	Accounts payable	Rs. 320
Accounts receivable	1,300	Accruals	260
Inventories	2,100	Short-term loans	1,100
Current assets	3,800	Current liabilities	1,680
Net fixed assets	3,320	Long-term debt	2,000
		Shareholders' equity	3,440
Total assets	7,120	Total liabilities & Equity	7,120

Income Statement

Net sales (all credit)	Rs. 12,680
Cost of goods sold*	8,930*
Gross profit	Rs. 3,750
Selling, general, and admin expenses	2,230
Interest expense	460
Profit before taxes	Rs. 1,060
Taxes	390
Profit after taxes	Rs. 670

* Includes depreciation of Rs. 480

On the basis of this information, compute the following:

Current ratio
Acid test ratio
Average collection period
Inventory turnover ratio
Debt to net worth ratio
Gross profit margin
Net profit margin
Rate of return on common stock equity

SECTION-B

Q. 5 (a). The records of the Electronic Equipment Company show the following information for the year ended 31 December 2015:

	(Rs.)
Material purchased	1,946,700
Inventories, January 1, 2015:	
1) Finished goods (100 calculator)	43,000
2) Material	268,000
Direct labour	2,125,800
Factory overhead	764,000
Marketing expense	516,000
General and administrative expenses	461,000
Sales (14,200 calculators)	6,634,000

Inventories, December 31, 2015:
1. No unfinished work on hand.
2. Finished goods (200 calculators) costed at Rs.395 each.
3. Material 167,000

Required: **(10)**

An income statement for the period.
The number of units manufactured.
The unit cost of calculators manufactured.
The gross profit per unit sold.
The income per unit sold.
The ratio of gross profit to sales.
The income to sales percentage.

(b). The Homes Garments Company has decided to distribute the costs of service departments by the algebraic method. The producing departments are Cutting department and Sewing department. The service departments are Maintenance and cafeteria, and monthly data are:

	Actual factory overhead Costs before distribution (Rs.)	Services provided by Maintenance	Services provided by Cafeteria
Cutting department	126,000	40%	50%
Sewing department	87,000	50%	30%
Maintenance department	30,000	---	20%
Cafeteria	26,400	10%	---

Required:: **(10)**

Total factory overhead of producing department Cutting after distribution of service department costs.

Q. 6 (a). Ten employees work as a group in Altech Manufacturing Company. When the group's weekly production exceeds the standard number of pieces per hour, each worker in the group is paid a bonus for the excess production in addition to wages at hourly rates. The amount of bonus is computed by first determining the percentage by which the group's production exceeds the standard; one-half of this percentage is then applied to a wage rate of $9 to determine hourly bonus rate. The standard rate of production before a bonus can be earned is 200 pieces per hour for total hours worked.

Production record for the week

	Hours worked	**Production**
Monday	80	17,824
Tuesday	74	16,206
Wednesday	80	18,048
Thursday	78	17,480
Friday	72	16,733

Required:
1) Calculate the group's bonus for each day and for the week
2) The week's earnings of each employee. **(10)**

(b). The Cambridge Company uses job order costing. At the beginning of December two jobs were in process:

	Job 369	Job 372
Material	Rs 20,000	Rs. 7,000
Direct labour	10,000	3,000
Applied factory overhead	15,000	4,500

There was no inventory of finished goods on December 1. During the month, Jobs 373, 374, 375, 376, 378 and 379 were started.

Material requisitions for December totaled Rs. 130,000, direct labour cost, Rs.100,000 and actual factory overhead , Rs. 160,000. Factory overhead is applied at a rate of 150% of direct labour cost.

The only job still in process at the end of December is No. 379, with cost of Rs. 14,000 for material and total Rs. 9,000 for direct labour and applied overhead.

Job No. 376, the only finished job on hand at the end of December, has a total cost of Rs. 20,000.

Required:

(1). T-accounts for Work in Process, Finished Goods, Cost of Goods sold, Factory overhead Control and Applied Factory Overhead. **(4)**

(2). General journal entries to record:

(a). Cost of goods manufactured **(2)**

(b). Cost of goods sold **(2)**

(c). Closing of over-or-under applied overhead to Cost of Goods Sold. **(2)**

Q. 7 (a). The budgeted results of Best Gases Limited are as under:

Product	Sale value (Rs.)	PV ratio %
Oxygen gas	1,250,000	50
Nitrogen gas	2,000,000	40
Acetylene gas	3,000,000	30

Fixed overheads for the period are Rs 2,511,000. The management is worried about the results. **(10)**

Required: Prepare a statement showing amount of loss, if any being incurred at present and recommend a change in the sale value of each product as well as the total sale value maintaining the same sale-mix which will eliminate the said loss.

(b). Fedder manufacturing company provides the following information concerning its 2015 operations:

Number of units produced	45,000
Selling price per unit (Rs.)	30
Variable costs per unit (Rs.):	
Direct labour	6
Direct material	7
Manufacturing overhead	3
Selling and administrative	2
Fixed costs(Rs.):	
Manufacturing overhead (Rs.)	180,000
Selling and administrative (Rs.)	116,000
Units sold	33,000

There was no beginning inventory for the firm.

Required:

Prepare an absorption costing income statement for Fedder manufacturing company. **(10)**

Prepare a variable costing income statement for Fedder manufacturing company.

Reconcile the difference in profits under the two income statements.

Q. 8. Seven Seas Ltd. has developed a process for the manufacture of after-shave. Material is added at the beginning of the process and conversion costs are incurred uniformly. Detail for the month ended December 31,2015 are as follows:

Work-in-process at 1st December, 2015: 4,000 Units 75 % complete.

Work-in-process at 31st December, 2015: 15,000 Units 60% complete

Units added in process during the month of December, 2015: 30,000 units.

	Materials	Conversion cost
Value of opening work-in-process (Rs.)	108,000	85,000
Cost added during December , 2015	300,000	475,000

Required: Using weighted average basis, prepare a cost of production report for the process for December, 2015. Showing:

(a). A quantity schedule; **(3)**

(b). Cost charged to process; **(4)**

(c). Cost of equivalent units; **(5)**

(d). Cost of finished goods; **(4)**

(e). Value of closing work-in-process **(4)**

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION - 2016
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **ATLEAST ONE** question from **EACH SECTION A, B, & C. ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the attempted question will not be considered.
(vii) **Use of calculator is allowed.**

PART-II

SECTION-A (AUDITING)

Q. No. 2. As an Auditor of an entity, during your interim visit you observed that Internal Control were not in use throughout the period under Audit. What are the Control Objectives you would like to consider for your purpose? **(20)**

Q. No. 3. What is materiality? Discuss materiality in planning and performing an Audit in relations to ISA-320. **(20)**

Q. No. 4. Financial Statements of a company are prepared in accordance with International Financial Reporting Standards. Being an Auditor what consideration would be taken while planning & performing Audit based on this condition? **(20)**

SECTION-B (BUSINESS TAXATION)

Q. No. 5. **(a)** What is Income from Property? What are possible deduction allowed under Income from Property, explain in detail? **(10)**

(b) You are Manager of a Tax Consultant Firm. One of your internee is assigned to prepare an assessment report of your client. Following is the information provided by client **(10)**

Basis Salary (30,000-5,000-60,000),	Rs. 40,000 p.m
Free accommodation facility provided	
Cost of motor Vehicle provided for personal use only	Rs. 700,000

Concessional loan @8% p.a Rs. 3000,000 whereas the benchmark rate was 10%.

Medical Allowance	Rs. 50,000
Flying allowance	Rs. 200,000
Agricultural Income	Rs. 90,000
Special allowance	Rs. 5,000
Dearness Allowance	Rs. 12,000

Required: Calculate the Taxable Income & Tax Payable based on above data.

Q. No. 6. **(a)** What is Sales Tax? What procedure a person should follow to get himself registered under Sales Tax Act, 1990? What are conditions under Sales Tax Act, 1990, where registration becomes compulsory? **(10)**

(b) Shahid Dairy Products Ltd is registered manufacturer of Ice-Cream. Data regarding its business for the month of May-2015 is given below. . **(10)**

1.	Sales to registered persons	Rs. 300,000
2.	Sales to consumer (Including tax)	Rs. 150,000
3.	Sales to Non registered person	Rs. 100,000
4.	Sales to school children during factory visit	Rs. 20,000
5.	Sales of Dairy products to retailers	Rs. 200,000
6.	Purchase of Milk & vegetables without brand name	Rs. 70,000
7.	Purchase of Milk & vegetables from registered person	Rs. 50,000
8.	Purchase of cream from non-registered person	Rs. 80,000
9.	Ice Cream flavour imported	Rs. 30,000
10.	Purchase of syrup from wholesaler (used in ice cream)	Rs. 18,000

Required: Compute the sales Tax liability of Shahid Dairy Products Ltd for month of May-2015 **(Note: Purchase of Milk & Ice cream at Sr. No 6 & 7 is Zero rated)**

SECTION-C (BUSINESS STUDES & FINANCE)

Q. No. 7. **(a)** Explain the Contemporary challenges posed by business now a days in Pakistan. **(10)**

(b) You have just the following information about ABC Ltd, which pays tax @ 35% p.a **(10)**

(i) 7000 Bonds with 8% coupon, face value of $1000 & maturity period of 15 years, payments to be made semi-annually, currently sold at 90% of par value.

(ii) 300,000 common shares outstanding, currently selling at $ 60 per share having beta of 1.10.

(iii) 20,000 outstanding shares of $6 preferred shares, selling at $95 per share.

Required: Work out overall cost of capital assuming 7% market risk premium and 5% risk free rate of return.

Q. No. 8. **(a)** Define & explain Business Cycle and discuss its implications in detail. **(10)**

(b) Mr. Tom has $ 50,000/- that he can deposit in any of the three saving accounts for a period of three years. Bank A compounds interest on annual basis, Bank B compounds interest on semi-annually basis and bank C compounds interest on quarterly basis. All these banks have a stated rate of 5% per annum.

Required:

(1) Compute Effective Annual Rate (EAR), Mr. Tom can earn from each bank. **(4)**

(2) What amount would Mr. Tom have at the end of 3^{rd} year, leaving all interest paid on deposit (no withdrawals), from each bank? **(6)**

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION – 2017
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II,** selecting **TWO** questions from **EACH SECTION. ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the attempted question will not be considered.
(vii) **Use of Calculator is allowed.**

PART-II
SECTION-I

Q. 2. Bella Beauty Salon's unadjusted trial balance for the current year follows: **(20)**

Bella Beauty Salon
Trial Balance
December 31

Cash	$ 4,200	
Prepaid insurance	1,480	
Shop supplies	990	
Shop equipment	3,860	
Accumulated depreciation shop equipment		$ 770
Building	57,500	
Accumulated depreciation–building		3,840
Land	55,000	
Unearned rent		1,600
Long-term notes payable		50,000
Bella Hanson, Capital		49,860
Rent earned		2,400
Fees earned		23,400
Wages expense	3,200	
Utilities expense	690	
Property taxes expense	600	
Interest expense	4,350	
Totals	$131,870	$131,870

Additional information:

a. An insurance policy examination showed $1,240 of expired insurance.
b. An inventory count showed $210 of unused shop supplies still available.
c. Depreciation expense on shop equipment, $350.
d. Depreciation expense on the building, $2,220.
e. A beautician is behind on space rental payments, and this $200 of accrued revenues was unrecorded at the time the trial balance was prepared.
f. $800 of the Unearned Rent account balance was earned by year-end.
g. The one employee, a receptionist, works a five-day workweek at $50 per day. The employee was paid last week but has worked four days this week for which she has not been paid.
h. Three months' property taxes, total $450, have accrued. This additional amount of property taxes expense has not been recorded.
i. One month's interest on the note payable, $600, has accrued but is unrecorded.

Required: Based on the above information, prepare the adjusting journal entries for Bella's Beauty Salon and adjusted trial balance for Bella's Beauty Salon.

Q. 3. **(A)** A corporation had stockholders' equity on January 1 as follows: **(20)**
Common Stock, $10 par value, 1,500,000 shares authorized, 600,000 shares issued;
Paid-in Capital in Excess of Par Value, Common Stock, $1,000,000;
Retained Earnings, $2,500,000.

Required: Prepare journal entries to record the following transactions:

Feb. 15 The board of directors declared a 10% stock dividend to stock holders of record on March 1, to be issued on April 15. The stock was trading at $8 per share prior to the dividend.

March 30 Sold 100,000 shares of common stock for $11 per share.

March 31 Issued the stock dividend.

(B) Company installs a computerized manufacturing machine in its factory at the beginning of the year at a cost of $42,300. The machine's useful life is estimated at 10 years, or 363,000 units of product, with a $6,000 salvage value. During its second year, the machine produces 35,000 units of product.

Required: Determine the machine's second-year depreciation under the straight-line method.

Q. 4. The following financial data were taken from the annual financial statements of Smith Corporation: **(20)**

Details	2007	2008	2009
Current assets	$ 450,000	$ 400,000	$ 500,000
Current liabilities	390,000	300,000	340,000
Sales	1,450,000	1,500,000	1,400,000
Cost of goods sold	1,180,000	1,020,000	1,120,000
Inventory	280,000	200,000	250,000
Accounts receivable	120,000	110,000	105,000

Required: (A). Based on these data, calculate the following for 2008 and 2009:

1. Working capital
2. Current ratio
3. Acid-test ratio
4. Accounts receivable turnover
5. Merchandise inventory turnover
6. Inventory turnover in days

(B). Evaluate the results of your computations in regard to the short-term liquidity of the firm.

SECTION-II

Q. 5. The marketing department of Graber Corporation has submitted the following sales forecast for the upcoming fiscal year. **(20)**

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Budgeted unit sales .	16,000	15,000	14,000	15,000

The selling price of the company's product is $22.00 per unit. Management expects to collect 75% of sales in the quarter in which the sales are made, 20% in the following quarter, and 5% of sales are expected to be uncollectible. The beginning balance of accounts receivable, all of which is expected to be collected in the first quarter, is $66,000. The company expects to start the first quarter with 3,200 units in finished goods inventory. Management desires an ending finished goods inventory in each quarter equal to 20% of the next quarter's budgeted sales. The desired ending finished goods inventory for the fourth quarter is 3,400 units.

Required:
1. Prepare the company's sales budget and schedule of expected cash collections.
2. Prepare the company's production budget for the upcoming fiscal year.

Q. 6. Valenko Company provided the following account balances for the year ended December 31 (all raw materials are used in production as direct materials): **(20)**

Selling expenses $215,000
Purchases of raw materials $260,000
Direct labor . . . . ?
Administrative expenses $160,000
Manufacturing overhead applied to work in process $340,000
Total actual manufacturing overhead costs $350,000

Inventory balances at the beginning and end of the year were as follows:

	Beginning of Year	End of Year
Raw materials	$50,000	$40,000
Work in process	?	$33,000
Finished goods	$30,000	?

The total manufacturing costs for the year were $675,000; the cost of goods available for sale total $720,000; the unadjusted cost of goods sold total $665,000; and the net operating income was $35,000. The company's over-applied or under-applied overhead is closed entirely to cost of goods sold.

Required: Prepare schedules of cost of goods manufactured and cost of goods sold and an income statement. (Hint: Prepare the income statement and schedule of cost of goods sold first followed by the schedule of cost of goods manufactured.)

Q. 7. Linden Company manufactures and sells a single product. Cost data for the product as follows: **(20)**

Variable costs per unit:

Direct materials	$ 6
Direct labor	12
Variable factory overhead	4
Variable selling and administrative	3
Total variable costs per unit	$25
Fixed costs per month:	
Fixed manufacturing overhead	$240,000
Fixed selling and administrative	180,000
Total fixed cost per month	$420,000

The product sells for $40 per unit. Production and sales data for May and June, the first two months of operations, are as follows:

	Units Produced	Units Sold
May	30,000	26,000
June	30,000	34,000

Income statements prepared by the accounting department, using absorption costing, are presented below:

	May	June
Sales	$1,040,000	$1,360,000
Cost of goods sold	780,000	1,020,000
Gross margin	260,000	340,000
Selling and administrative expenses	258,000	282,000
Net operating income	$ 2,000	$ 58,000

Required:

1. Determine the unit product cost under:
    a. Absorption costing.
    b. Variable costing.
2. Prepare contribution format variable costing income statements for May and June.
3. Reconcile the variable costing and absorption costing net operating incomes.

Q. 8. The PVC Company manufactures a high-quality plastic pipe that goes through three processing stages prior to completion. Information on work in the first department, Cooking, is given below for May: Production data: **(20)**

Pounds in process, May 1: materials 100% complete; conversion 90% complete	70,000
Pounds started into production during May	350,000
Pounds completed and transferred to the next department.	?
Pounds in process, May 31: materials 75% complete; conversion 25% complete	40,000
Cost data:	
Work in process inventory, May 1:	
Materials cost	$86,000
Conversion cost	$36,000
Cost added during May:	
Materials cost	$447,000
Conversion cost	$198,000

The company uses the weighted-average method.

Required:

1. Compute the equivalent units of production.
2. Compute the costs per equivalent unit for the month.
3. Determine the cost of ending work in process inventory and of the units transferred out to the next department.
4. Prepare a cost reconciliation report for the month.

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION – 2017
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS	**PART-I (MCQS)**	**MAXIMUM MARKS = 20**
PART-I(MCQS): MAXIMUM 30 MINUTES	**PART-II**	**MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II,** selecting **AT LEAST ONE** questions from **EACH SECTION A, B & C. ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the attempted question will not be considered.
(vii) **Use of Calculator is allowed.**

PART-II
SECTION-A (AUDITING)

Q. No. 2. What system of Internal check would you recommend for a large manufacturing company to prevent fraud in connection with the purchase of raw material on credit basis? **(20)**

Q. No. 3. A fraud has been committed in a business. Being a Manager of Accounts you are asked by the authorities to take up investigative measures and steps to extract the fraudulent matter. Discuss the measures and steps you will take in this regard. **(20)**

Q. No. 4. What is meant by Auditor's Report? Describe the key characteristics of a good audit report, along with the significance of Auditor's report to show the transparent picture of the company. **(20)**

SECTION-B (BUSINESS TAXATION)

Q. No. 5. **(A)** Define the concept of sales tax & describe the sales tax act of 1990. Identify the official positions of Inland revenue officers and their powers. **(20)**

(B) Mr. Sartaj is registered under the Sales Tax Act, 1990 as a manufacturer as well as a commercial importer. He has provided you the following information for the month of February, 2016:

	Rs. in Million
Export sales – manufactured goods	35
Local sales of exempt manufactured goods	25
Taxable supplies – manufactured goods	130
Taxable supplies – commercial imports	70
Purchases • Local purchases of raw material from: Registered person Unregistered persons	 180 60
• Commercial imports	50

All the above amounts are exclusive of sales tax. Commercial imports have been stated at C&F value and are subjected to customs duty at the rate of 10%. There was no stock of commercial imports at the beginning or end of the month.

Required:
Compute the sales tax liability of Mr. Sartaj along with input tax to be carried forward (if any) in his sales tax return for the month of February 2016. **(Ignore the effect of minimum value addition in case of commercial imports)**

Q. No. 6. **(A)** Identify the main features of Income Tax ordinance 2001. Also discuss the exemptions and tax concessions available to a taxpayer under that ordinance. **(20)**

(B) Mr. Ahmed is an employee of a company. He has submitted the following information for the tax year 2016.

	Rs.
Basic Salary per annum	340,000
Bonus	56,000
Cost of living allowance	66,000
Dearness allowance	32,000
Rent free unfurnished accommodation – annual value	162,000
Company maintained car for personal and official use, cost of vehicle is.	980,000
Utility allowance	58,000
Leave encashment	31,600
Leave Fare Assistance provided every year	22,600
Hotel bills paid by the company relating to a pleasure trip	28,400
Employee's contribution towards provident fund	30,000
Zakat paid under Zakat and Ushr Ordinance	15,000
Tax deducted by the company for salary	35,000

Required: Compute the total income, taxable income and tax liability of Mr. Ahmed.

SECTION-C (BUSINESS STUDIES & FINANCE)

Q. No. 7. **(A)** Identify the major barriers that hamper global business in an open economy. **(20)**

(B) Consider a coupon bond that has a face value of $1000, has a yield of 16%, pays a semi annual coupon of 70, and matures in one year 'assuming that the bond will pay the face value amount that the cost coupon payment on the maturity date. Calculate the price of the bond.

Q. No. 8. **(A)** Describe the economic systems, also Identify which system is more beneficial for the economic development of the country. **(20)**

(B) XYZ company presently pays a dividend of $ 1.50 per share on its common stock. The company expects to increase the dividend at a 20% annual rate the first four years and at the rate of 13% at the next four years then the growth on the dividend at a 7% thereafter. This phased growth patterns is in keeping with the expected life cycle of earnings. You are required a 16% return to invest in this stock. What value should you place on a share of this Stock?

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2018
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**

(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.

(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.

(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.

(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.

(vi) Extra attempt of any question or any part of the attempted question will not be considered.

(vii) **Use of Calculator is allowed.**

PART – II
SECTION – A

Q. No. 2. Following is the summary of closing balances (unadjusted trial balance) of Muddasar Co. for the year ended on December 31, 2016. **(20)**

Accounts	Amount (Rs.)	Accounts	Amount (Rs.)
Cash	80000	Accounts Receivable	35200
Store Supplies	5000	Prepaid Rent	11240
Furniture	7600	Accumulated Depreciation on Furniture	1520
Insurance	8500	Plant & Machinery	45000
Accumulated Dep. on Plant & Machinery	9000	Capital	165000
Accounts Payable	8500	Drawings	31000
Sales Revenue	212980	Salaries Expenses	9500
Advertising Expenses	7000	Purchases	95000
Wages	10 000	Purchase Returns	6500
Sales Returns	3000	Opening Merchandise Inventory	45000
Commercial Expenses	5460	Miscellaneous Expenses	5000

Additional Information (adjustments) needs settlements at the end of period to show the true picture of the financial performance of Co.

i. Closing Merchandise Inventory valued at Rs. 35 000
ii. Store supplies on hand at the end of year is Rs. 1500
iii. It is noticed that Prepaid Rent amounting Rs. 9240 was expired during the period
iv. Prepaid Insurance is valued Rs. 1500 at the end of the period
v. Outstanding salaries are Rs. 3000
vi. Depreciation is charged @ 10 % for Plant & Machinery and @ 7% for Furniture

Required: Based upon above information, prepare Adjusting Entries, Adjusted Trail Balance and Income Statement & Balance Sheet.

Q. No. 3. The Income Statement of the Abdul Rehman & Co for the year on December 31 (for each year 2015 & 2016) is given as under: **(20)**

	2016	2015
Sales	**Rs.** 900,000	**Rs.** 800,000
Cost of goods sold Beginning inventory	43,000	40,000
Purchases	637,000	483,000
Goods available for sale	680,000	523,000
Ending inventory	70,000	43,000
Cost of goods sold	610,000	480,000
Gross margin	290,000	320,000
Operating expenses	248,000	280,000
Income before taxes	42,000	40,000
Income taxes	17,000	18,000
Net income	25,000	22,000
Plus: Retained earnings, beginning balance	137,000	130,000
Less: Dividends	0	15,000
Retained earnings, ending balance	162,000	137,000

The Balance sheet of the Company as on December 31 for each year is given as under:

	2015	2016
Assets	**Rs.**	**Rs.**
Cash	20,000	17,000
Marketable securities	20,000	22,000
Notes receivable	4,000	3,000
Accounts receivable	50,000	56,000
Merchandise inventory	70,000	43,000
Prepaid expenses	4,000	4,000
Property, plant & equipment (net)	340,000	310,000
Total assets	**508,000**	**455,000**
Liabilities and Stockholders' Equity		
Accounts payable	40,000	38,000
Salaries payable	2,000	3,000
Taxes payable	4,000	2,000
Bonds payable, 8%	100,000	100,000
Preferred stock, 6%, Rs100 par, cumulative	50,000	50,000
Common stock, Rs 10 par	150,000	125,000
Retained earnings	162,000	137,000
Total liabilities and stockholders' equity	**508,000**	**455,000**

Required: Horizontal Analysis and Vertical Analysis for the above given financial statements (Income Statement & Balance Sheet) of Abdul Rehman & Co. and comment on the results.

Q. No. 4. **(a)** The XYZ Co. purchased a large machine 5 years ago at a total cost of Rs. 400,000. The accumulated depreciation on this machine is Rs. 290,000. The corporation sold the machine at Rs.10, 000 gain. (10)

Required: Calculate the amount would be reported as cash flow from this sale.

(b) On April 1, 1993 Ayesha Industries purchased new equipment at a cost of Rs. 325000. Useful life of this equipment was estimated at 5 years, with a residual value of Rs. 25000. For tax purposes, however, this equipment is classified as "3- year property". (10) **(20)**

Required: Compute the annual depreciation expense for each year until this equipment becomes fully depreciated under each depreciation methods listed below (Because you will record depreciation for only a fraction of a year in 1993, depreciation will extend through in all methods except MACRS) and show supporting computations.

i. Straight –line, with depreciation for fractional years rounded to the nearest whole month.
ii. 20%-declining-balance method, with the half-year convention. Limit depreciation in 1998 to an amount which reduces the undepreciated cost to the estimated residual value.
iii. Sum-of-the-years'-digits, with the half-year convention
iv. MACRS accelerated rates for "3-year property"

SECTION-B

Q. No. 5. Proprietor (Owner) of ABC Industries has limited knowledge of Cost & Managerial Accounting who prepared Income Statement for his business for the year ended on December 31, 2016 that is given as under: **(20)**

	(Rs.)	(Rs.)
Sales		675000
Less: Expenses		
Direct Labour	137500	
Indirect Labour	18000	
Selling & Administrative Salaries	48000	
Raw materials purchased	248500	
Electricity bill	22500	
Insurance expired	6000	
Depreciation of factory equipments	33000	
Depreciation of sales equipments	4500	
Rent of Premises	75000	
Advertising	81500	674500
Net Profit		500

The Owner has some doubts about the accuracy of the above statement and has requested you (as Professional Accountant) to check over the statement and make necessary corrections based upon following additional information.

(i) 80% of the electricity bill, 75% of insurance expired and 70% of Rent of Premises associated to Factory operations and the remaining amounts are applicable to Selling and Administrative activities.

(ii) Beginning Inventory (January 1, 2016) and Ending Inventory (December 31, 2016) in Rs. were:

Finished Goods	50000	60000
Work in Progress	42500	30000
Raw Material	7500	18000

(iii) Factory overhead is applied @ Rs. 5 per machine hour. The total machine hours are 26400 during the year. Factory overhead variance is charged to cost of goods sold, finished goods and work in process ending inventories.

Required:

(a) Prepare cost of goods manufactured and cost of goods sold statement indicating cost of goods sold at normal and at actual.

(b) Prepare revised income statement

(c) Explain the reason for difference between net profit as per Owner's Income statement and revised statement (prepared by you).

Q. No. 6. **(a)** Delight Food Products produces Squash Cubes by continuous processing in three departments i.e. A, B and C. During November 2017 Department B received 8000 cubes from the Department A (preceding department) and transferred 5500 cubes to Department C (next department). During the month there was a normal loss of 400 cubes at the end of process. Moreover, 600 cubes, 75% completed, were lost due to negligence of a worker in the B department. There was no work in process beginning inventory, the ending inventory was estimated as 60% completed. Following product costs were charged to the department during the month of November: (10)

Cost from preceding department	Rs. 16400
Direct Material	2000
Direct Labour	3625
Factory Overhead	5075
	27100

It is noticed that all materials are added at the start of process in Department B.

Required: Prepare the Cost of Production Report for the month of November, 2017(for Department B).

(b) Ahmad Enterprises produces and sells the finest quality golf clubs in all of Clay County. The company expects the following revenues and costs in 2017 for its Elite Quality golf club sets: (10) **(20)**

Revenues (400 sets sold @ Rs. 600 per set)	Rs. 240,000
Variable costs	Rs. 160,000
Fixed costs	Rs. 50,000

Required: How many sets of clubs (unit) must be sold for Ahmad Enterprises to reach their breakeven point?

Q. No. 7. XYZ Enterprises applies factory overhead @ 60% of direct labour cost. During the year 2016 following actual costs were recorded: **(20)**

	(Rs.)
Direct Labour cost	580000
Factory Overhead cost	428000

At the end of the year following balances appear in the some of the Control Accounts:

Cost of Goods Sold	1750000
Finished Goods	500000
Work in Progress	250000

Required:

(i) Based upon above given information, determine under-applied or over-applied factory overhead.

(ii) Pass general journal entry to close factory overhead applied account at the end of year.

(iii) Pass general journal entries to dispose off under applied or over applied factory overhead in the following cases:

(a) The variance is considered as a significant amount

(b) The variance is considered as an insignificant amount

(c) The variance is considered as cause by poor scheduling of production and excessive spending

Q. No. 8. **(a)** Ayesha & Co. Prepared following estimates for the year 2017: (10)

Fixed factory overhead (in Rs)	450 000
Variable factory overhead (in Rs)	600 000
Direct labour hours	200 000

However, actual results for the cost for the year 2017 were recorded as follows:

Fixed Factory overhead (in Rs)	450 000
Variable Factory overhead (in Rs)	680 000
Direct labour hours	220 000

Required: based upon above given information, Calculate:

(i) Total Factory overhead variance
(ii) Capacity variance
(iii) Budget variance

(b) Calculate the total fixed cost of the shipping department of Areeba & Co. based upon the following information for the year 2016: (10) **(20)**

Salaries	Rs.800,000 75 percent of employees on guaranteed contracts
Packaging	Rs.400,000 depending on size of item(s) shipped
Postage	Rs.500,000 depending on weight of item(s) shipped
Rent of warehouse space	Rs.250,000 annual lease

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2018
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS		**PART-I (MCQS)**	**MAXIMUM MARKS = 20**
PART-I(MCQS):	**MAXIMUM 30 MINUTES**	**PART-II**	**MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **AT LEAST ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the attempted question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – A (AUDITING)

Q. No. 2. How an internal control system helps the management in conduct of their business affairs? Explain the difference among internal check, internal audit and internal control. **(20)**

Q. No. 3. ABC Company is an audit and assurance firm, which has recently accepted the audit of XYZ. Explain the purpose of auditing financial statement of XYZ and the three elements of audit risk faced by the company. **(20)**

Q. No. 4. Due to the inherent limitations of audit, auditors are only able to offer 'reasonable assurance' over the truth and fairness of the financial statements rather than absolute assurance. Keeping in view the above statement, explain the limitation of audit of financial statement. **(20)**

SECTION – B (BUSINESS TAXATION)

Q. No. 5. **(A)** Explain the law regarding the definition of business and taxability of business income along with the relevant examples under section (18) of Income Tax Ordinance 2001. (10)

(B) Mr. Atif is working as Chief accountant of a multi-national company. He received the following income during the tax year 2017. He is a non-filer. (10) **(20)**

Basic Salary	Rs. 12,00,000
Bonus	300,000
House Allowance	500,000
Conveyance Allowance	200,000
Utilities Allowance	100,000
Zakat Paid	180,000
Capital gain on sale of securities (holding period more than 12 months but less than 24 months)	70,000
Agricultural Income	400,000

Required: Calculate his tax payable.

Q. No. 6. **(A)** What is the scope of sales tax? What is the procedure for transfer of registration and deregistration under Sales Tax Act, 1990? (10)

(B) Mr Abdul Packages Ltd is a registered manufacturer of candies. Data regarding his business is given below: (10) **(20)**

Taxable turnover to registered person	Rs. 5,000,000
Taxable turnover to non-registered person	18,000
Sales to retailers	50,000
Exempted sales	60,000
Supplies to DTRE registered person	25,000
Zero rated supply	70,000
Supplies donated	150,000
Taxable purchases from registered person	200,000
Taxable purchases from non-registered person	90,000
Taxable Purchases from wholesaler	60,000
Imported raw material specified in SRO 644(1) 2016	100,000
Sales tax paid on PTCL dues	9,000
Sales tax paid on electricity bill	3,000

Required: Calculate the sales tax liability for July 2016

SECTION-C (BUSINESS STUDIES AND FINANCE)

Q. No. 7. **(A)** Information technology is perceived as an important source of future economic prosperity and employment growth. Explain the role of information technology in business organisation in Pakistan's scenario. (10)

(B) You have been hired as a financial advisor to Raheel Abbas. He has received two offers for playing professional basketball and wants to select the best offer, based on considerations of money only. Offer A is a Rs.10m (offer for Rs.2m a year for 5 years). Offer B is a Rs.11m (offer of Rs.1m a year for four years and Rs.7m in year 5).
Required: Calculate the present value of each contract by assuming a range of interest rate (8% - 14%). What is your advice regarding the contracts. (10) **(20)**

Q. No. 8. **(A)** Define financial markets and explain the features and classification of financial markets. (10)

(B) ABC Company is considering a new product line to supplement its range line. It is anticipated that the new product line will involve cash investment of Rs.700,000 at time 0 and Rs. 1.0 million in year 1. After tax cash inflows of Rs. 250,000 are expected in year 2, Rs 300,000 in year 3, Rs. 350,000 in year 4, and Rs. 400,000 each year thereafter through year 10. Through the product line might be viable after year 10, Company prefers to be conservative and end all calculations at that time. (10) **(20)**
Required: (a) if the required rate of return is 15% what is the net present value of the project. Is it acceptable?
(b) What is its internal rate of return?
(c) What would be the case if the required rate of return was 10%?

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2019
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – I

Q. No. 2. Some amounts are omitted in each of the following financial statements. **(20)**

XY. Co.

Total assets		Rs. 37,500
Total liabilities		?
Common stock		2,500
Retained earnings		13,500
Revenue	24,000	
Expenses		?
Retained earnings, Jan. 1		?
Net income		7,500
Dividends		6,000
Retained earnings, Dec. 31		13,500

Instruction: Determine the missing amounts.

Q. No. 3. **(a)** Burno Co. purchased equipment on Jan. 1, 2005 at a total invoice cost of Rs.280,000, additional costs of Rs.5,000 for freight and Rs.25,000 for installation were incurred. The equipment has an estimated salvage value of Rs.10,000 and an estimated useful life of five years. What is the amount of accumulated depreciation at Dec. 31,2006 if the straight-line method of depreciation is used? **(8)**

(b) A plant asset cost Rs.27,000 when it was purchased on Jan. 1, 2008. It was depreciated by the straight-line method based on a 9-year life with no salvage value. On June 30, 2008, the asset was discarded with no cash proceeds. What gain or loss should be recognized on the retirement? Pass the entry. **(6)**

(c) On June 30, 2010 B. Co. sells office furniture for Rs.60,000 cash. The office furniture originally cost Rs.150,000 when purchased on Jan 1, 2005. Depreciation is recorded by the straight-line method over 10 years with a Salvage value of Rs.15,000. **(6)** **(20)**

Q. No. 4. The balance sheet of AB Ltd. is as under: **(20)**

Liabilities		Assets	
Equity share capital (Rs. 100 each)	1,000,000	Plant & equipment	640,000
Retained earning	368,000	Land & building	80,000
Sundry creditors	104,000	Cash	160,000
Bills payable	200,000	Sundry debtors 360,000	
Other current liabilities	20,000	Allowance for B/D (40,000)	320,000
		Inventory	480,000
		Prepaid expenses	12,000
	1,692,000		1,692,000

Required:

Compute the following:
1. Working capital
2. Current ratio
3. Quick or liquid ratio
4. Super quick ratio

SECTION – II

Q. No. 5. The AB & Co produces a chemical which requires processing in three departments. The following is the data to the operation of department III for September, 2008. **(20)**

Units in process at start 50% completed as to Mat. & C.C	5,000
Unit received from Department II	40,000
Unit transferred to finished store room	35,000
Normal units lost	1,000
Balance of units is in process:	
100% completed as to material & 50% as to C.C.	
Cost of beginning inventory P.D.Rs.10, 000 .Mat.Rs.10, 000. CC. Rs.5000	
Cost transferred from Department II Rs.30, 000	
Cost added:	
Material	Rs. 8,800
Conversion cost	Rs.16200

Required: Prepare cost of production report of Department III by Weighted Average.

Q. No. 6.

(a) K Co. was totally destroyed by fire during June. However, certain fragments of its cost records with the following data were recovered: idle capacity variance, Rs.1,266 favorable; spending variance, Rs.879 unfavorable; and applied factory overhead Rs.16, 234. **(10)**

Required:
Determine (1) The budget allowance, based on capacity utilized, and (2) the actual factory overhead.

(b) A Co. uses 100% Bonus plan with a wage rate of Rs.20 per hour and the standard production is 40 units per hour. Bonus will be given for the time saved. Following is the data of Mr. X: **(10) (20)**

	Units produced
Monday	360
Tuesday	400
Wednesday	350

Required: Determine Mr. X's total earning, the time saved, daily earnings and the labor cost per unit.

Q. No. 7. ABC Company's most recent contribution format income statement is shown below: **(20)**

	Total	Per Unit
Sales (20,000 units)	$300,000	$15
Less variable expenses	180,000	9
Contribution margin	120,000	6
Less fixed expenses	70,000	
Net operating income	$50,000	

Required:
Prepare a new contribution format income statement under each of the following conditions.

(a) Sales volume increases by 15%.
(b) Selling price decreases by $1.5 per unit, and sales volume increases by 25%.
(c) Selling price increases by $1.5 per unit, fixed expenses increases by $20,000 and the sales volume decreases by 5%.
(d) Selling price increases by 12%, variable expense increases by 60% per unit and sales volume decreases by 10 %.

Q. No.8. The following information is gathered from the labor records of Binamul & Co. Payroll allocation for direct labor is Rs. 1, 31,600

Time card analysis shows that 9,400 hours were worked on productions lines.

Production reports for the period showed that 4,500 units have been completed, each having standard labor time of 2 hours and a standard labor rate of Rs. 15 per hour. Calculate the labor variances.

****

Roll Number

FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION-2019
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) Use of Calculator is allowed.

PART – II
SECTION – I (AUDITING)

Q. 2. Explain shortly all audit assertions related to class of transactions (revenue and expenses), account balances (assets/liabilities/equities), and presentation & disclosure. **(20)**

Q. 3. Define and explain different types of audit risks. How these risks are used to manage the audit assignment. **(20)**

Q. 4. What are Computer Assisted Audit Techniques (CAATs) that can be used in e-commerce environment. **(20)**

SECTION – II (BUSINESS TAXATION)

Q. 5. (a) Explain the concept of input tax, output tax, zero rated supply, exempt supply and input tax credit. (10)

(b) From the following data, calculate the tax payable by Mr. Aslam for the year ended 30th June 2018: (10) **(20)**

(i) Salary Rs. 19,500 pm.
(ii) Special pay Rs. 3,000 p.m
(iii) Bonus for the year Rs. 38,000.
(iv) Conveyance allowance Rs. 1,500 p.m
(v) Free accommodation provided by the employer. He was entitled to a house allowance of Rs. 72,000.
(vi) Medical expenses reimbursed by his employer under the contract of employment Rs. 24,000.
(vii) Zakat paid under Zakat Ordinance during the year Rs. 11,300.
(viii) Donation to approved charitable institutions under section 61 Rs. 15,000.
(ix) Legal expenses during the year Rs. 6,000.
(x) Amount paid for approved pension scheme during the year Rs. 90,000.
(xi) Shares of listed companies purchased Rs. 6,000.

Q. 6. (a) What deductions are not allowed to be deducted before arriving at the taxable profits of a business? (10)

(b) Mr. Mohammad Adil received the following emoluments during the year ended 30th June 2018. (10) **(20)**

(i)	Basic Salary (Scale 55,000-5,000-70,000)	Rs.60,000 P.M.
(ii)	House rent allowance	25,000 P.M
(iii)	Utilities allowance	14,250 P.M
(iv)	Medical allowance	10,000 P.M.
(v)	Agricultural income	130,000 P.M.
(vi)	Payment of Loan installment on 30.06.2018	1,00,000

He claims the following deductions:

(i)	Zakat paid	67,428
(ii)	Investment in shares	2,25,000

Notes

(i) Mr. Mohammad Adil received an interest free loan of Rs. 12,00,000 from his employer on 01.07.2017.

(ii) His employer has provided him a new car to be used for personal and official purposes. The car costs the employer Rs. 15,00,000.

Required. Calculate the tax payable by Mr. Mohammad Adil.

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. (a) Explain Yield To Maturity (YTM), its calculation, and the procedure used to value bonds that pay interest semiannually. (8)

(b) Joan Messineo borrowed $15,000 at a 14% annual rate of interest to be repaid over 3 years. The loan is amortized into three equal, annual, end-of-year payments. (12) **(20)**

(i) Calculate the annual, end-of-year loan payment.

(ii) Prepare a loan amortization schedule showing the interest and principal breakdown of each of the three loan payments.

(iii) Explain why the interest portion of each payment declines with the passage oftime.

Q. 8. (a) Explain the relationships among financial decisions, return, risk and the firm's value. (10)

(b) Nicholson Roofing Materials, Inc., is considering two mutually exclusive projects, each with an initial investment of $150,000. (10) **(20)**

The company's board of directors has set a maximum 4-year payback requirement and has set its cost of capital at 9%. The cash inflows associated with the two projects are shown in the following table:

Cash inflows (CF_t)		
Year	**Project A**	**Project B**
1	$45,000	$75,000
2	45,000	60,000
3	45,000	30,000
4	45,000	30,000
5	45,000	30,000
6	45,000	30,000

(i) Calculate the payback period for each project.

(ii) Calculate the NPV of each project at 10%

(iii) Calculate the NPV of each project at 9%.

(iv) Derive the IRR of each project.

(v) Rank the projects by each of the techniques used. Make and justify a recommendation.

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2020
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – I

Q. 2. On September 1,2011, the account balances of R and Equipment Repair, Inc. were as follows. **(20)**

No.	Debits		No.	Credits	
101	Cash	Rs. 4,880	154	Accumulated Depreciation	Rs. 1,500
112	Accounts Receivable	3,520	201	Accounts Payable	3,400
126	Supplies	2,000	209	Unearned Service Revenue	1,400
153	Store Equipment	15,000	212	Salaries Payable	500
			311	Common Stock	15,000
			320	Retained Earnings	3,600
		Rs.25,400			Rs.25,400

During September the following summary transactions were completed.

Sept. 8 PaidRs.1,400 for salaries due employees, of which Rs.900 is for September.
10 Received Rs.1,200 cash from customers on account.
12 Received Rs.3,400 cash for services performed in September.
15 Purchased store equipment on account Rs.3,000.
17 Purchased supplies on account Rs.1,200.
20 Paid creditors Rs.4,500 on account.
22 Paid September rent Rs.500.
25 Paid salaries Rs.1,250.
27 Performed services on account and billed customers for services provided Rs.1,500.
29 Received Rs.650 from customers for future service.

Adjustment data consist of:
Supplies on hand Rs.1,200. Accrued salaries payable Rs.400. Depreciation is Rs.100 per month. Unearned service revenue of Rs.1,450 is earned.

Required
(a) Journalize the September transactions. Prepare a trial balance at September 30.
(b) Journalize and post adjusting entries. Prepare an adjusted trial balance.
(c) Prepare an income statement and a retained earnings statement for September and a balance sheet at September 30.

Q. 3. (A) Industry A has three companies whose income statements and balance sheets are summarized below. (10)

	Company X	Company Y	Company Z
Sales	Rs. 500,000	(*d*)	(*g*)
Net income	Rs. 25,000	Rs.30,000	(*h*)
Total assets	Rs. 100,000	(*e*)	Rs.250,000
Total asset turnover	(*a*)	(*f*)	0.4
Profit margin	(*b*)	0.4%	5%
Return on total assets (ROA)	(*c*)	2%	(*i*)

First supply the missing data in the table above. Then comment on the relative performance of each company.

(B) The Rivers Company reports the following data relative to accounts receivable: (10) **(20)**

	20X8	20X9
Average accounts receivable	Rs. 400,000	Rs. 416,000
Net credit sales	Rs. 2,600,000	Rs. 3,100,000

The terms of sale are net 30 days.

(a) Compute the accounts receivable turn over and the collection period, and

(b) Evaluate the results.

Q. 4. (A) The Wessal Karim Corporation is considering installing a new conveyor for materials handling in a ware house. The conveyor will have an initial cost of Rs. 85,000 and an installation cost of Rs. 6,000. Expected benefits of the conveyor are: (a) Annual labor cost will be reduced by Rs. 17,000, and (b) breakage and other damages from handling will be reduced by Rs. 600 per month. Some of the firm's costs are expected to increase as follows: (a) Electricity cost will rise by Rs.200 per month, and (b) annual repair and maintenance of the conveyor will amount to Rs.999. Assume the firm uses the MACRS rules for depreciation in the 5-year property class. No salvage value will be recognized for tax purposes. The conveyor has an expected useful life of 8 years and a projected salvage value of Rs. 4,500. The tax rate is 35 percent. (10)

(a) Estimate future cash inflows for the proposed project.

(b) Determine the projects NPV at 10 percent. Should the firm buy the conveyor?

(B) Majid, Inc., accountants have developed the following data from the company's accounting records for the year ended April 30, 2017: (10) **(20)**

a) Purchase of plant assets, Rs.59,400.
b) Cash receipt from issuance of notes payable, Rs.46,100.
c) Payments of notes payable, Rs.44,000.
d) Cash receipt from sale of plant assets, Rs.24,500.
e) Cash receipt of dividends, Rs.4,800.
f) Payments to suppliers, Rs.374,300.
g) Interest expense and payments, Rs.12,000.
h) Payments of salaries, Rs.88,000.
i) Income tax expense and payments, Rs.37,000.
j) Depreciation expense, Rs.59,900.
k) Collections from customers, Rs.605,500.
l) Payment of cash dividends, Rs.49,400.
m) Cash receipt from issuance of common stock, Rs.64,900.
n) Cash balance: April 30, 2016, Rs.40,000; April 30, 2017, Rs.121,700.

Required: Prepare Majid's statement of cash flows for the year ended April 30, 2017. Use the direct method for cash flows from operating activities.

SECTION – II

Q. 5. (A) Modern Geezer Company has two departments. Factory overhead costs are applied based on direct labour cost in Department A and machine hours in Department B. The following information is available: (10)

Budgeted Items	Dept. A	Dept. B
Direct labour cost	Rs.180,000	Rs.165,000
Machine hours	51,000	40,000
Factory overhead cost	Rs.225,000	Rs.180,000

Actual data for Job #10 are as follows:

Actual Items	Dept. A	Dept. B
Direct materials requisitioned	Rs.10,000	Rs.16,000
Direct labour cost	Rs.11,000	Rs.14,000
Machine hours	5,000	3,000

Required:

(A) Compute the budgeted factory overhead rate for Department A.
(B) Compute the budgeted factory overhead rate for Department B.
(C) What is the total overhead cost for Job #10?
(D) If Job #10 consists of 50 units of product, what is the unit cost of this job?

(B) Chief Manufacturing is a small textile manufacturer using machine-hours as the single indirect-cost rate to allocate manufacturing overhead costs to the various jobs contracted during the year. The following estimates are provided for the coming year for the company and for the Somerset High School Science Olympiad Jacket job. (10) **(20)**

	Company	Somerset High School Job
Direct materials	Rs. 25,000	Rs. 600
Direct manufacturing labor	Rs. 5,000	Rs. 200
Manufacturing overhead costs	Rs. 20,000	
Machine-hours	40,000 mh	800 mh

Required:

(a) For Chief Manufacturing, determine the annual manufacturing overhead cost-allocation rate.

(b) Determine the amount of manufacturing overhead costs allocated to the Somerset High School job.

(c). Determine the estimated total manufacturing costs for the Somerset High School job.

Q. 6. (A) Sodius Chemical Inc. placed 220,000 liters of direct materials into the mixing process. At the end of the month, 5,000 liters were still in process, 30% converted as to labor and factory overhead. All direct materials are placed in mixing at the beginning of the process and conversion costs occur evenly during the process. Sodius uses weighted-average costing. (10)

Required:

(a) Determine the equivalent units in process for direct materials and conversion costs, assuming there was no beginning inventory.

(b) Determine the equivalent units in process for direct materials and conversion costs, assuming that 12,000 liters of chemicals were 40% complete prior to the addition of the 220,000 liters.

(B) Asghar Manufacturing Company sells its products for Rs.33 each. The current production level is 50,000 units, although only 40,000 units are anticipated to be sold. (10) **(20)**

Unit manufacturing costs are:

Direct materials	Rs. 6.00
Direct manufacturing labor	Rs. 9.00
Variable manufacturing costs	Rs. 4.50
Total fixed manufacturing costs	Rs.180,000

Marketing expensesRs.3.00 per unit, plus Rs.100,000 per year

Required:

(a) Prepare an income statement using absorption costing.

(b) Prepare an income statement using variable costing.

Q. 7. (A) Big Mind Corporation was recently formed to produce a semiconductor chip that forms an essential part of the personal computer manufactured by a major corporation. The direct materials are added at the start of the production process while conversion costs are added uniformly throughout the production process. June is Big Mind's first month of operations, and therefore, there was no beginning inventory. Direct materials cost for the month totaled Rs.950,000, while conversion costs equaled Rs.4,625,000. Accounting records indicate that 475,000 chips were started in June and 425,000 chips were completed. (10)

Ending inventory was 50% complete as to conversion costs.

Required:

(a) What is the total manufacturing cost per chip for June?

(b) Allocate the total costs between the completed chips and the chips in ending inventory.

(B) The following information was gathered for Smart-view Company for the year ended December 31, 2018: (10) **(20)**

	Budgeted	Actual
Direct labor-hours	75,000 dlh	80,000 dlh
Factory overhead	Rs.600,000	Rs.625,000

Assume that direct labor-hours are the cost-allocation base.

Required:

(a) Compute the budgeted factory overhead rate.

(b) Compute the factory overhead applied.

(c) Compute the amount of over/under applied overhead.

Q. 8. (A) Umar Company produces baseball bats and cricket paddles. It has two departments that process all products. During July, the beginning work in process in the cutting department was half completed as to conversion, and complete as to direct materials. The beginning inventory included Rs.40,000 for materials and Rs.60,000 for conversion costs. Ending work-in-process inventory in the cutting department was 40% complete. Direct materials are added at the beginning of the process. (10)

Beginning work in process in the finishing department was 80% complete as to conversion. Direct materials for finishing the units are added near the end of the process. Beginning inventories included Rs.24,000 for transferred-in costs and Rs.28,000 for conversion costs. Ending inventory was 30% complete. Additional information about the two departments follows:

	Cutting	Finishing
Beginning work-in-process units	20,000	24,000
Units started this period	60,000	
Units transferred this period	64,000	68,000
Ending work-in-process units		20,000
Material costs added	Rs. 48,000	Rs. 34,000
Conversion costs	28,000	68,500
Transferred-out cost	128,000	

Required:
Prepare a production cost worksheet, using FIFO for the finishing department.

(B) During February the Luqman Manufacturing Company's costing system reported several variances that the production manager was surprised to see. Most of the company's monthly variances are under Rs.225, even though they may be either favorable or unfavorable. The following information is for the manufacturing of garden gates, its only product: (10) **(20)**

1. Direct materials price variance, Rs.900 unfavorable.
2. Direct materials efficiency variance, Rs.1,900 favorable.
3. Direct manufacturing labor price variance, Rs.4,100 favorable.
4. Direct manufacturing labor efficiency variance, Rs.700 unfavorable.

Required:
(a) Provide the manager with some ideas as to what may have caused the price variances.
(b) What may have caused the efficiency variances?

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2020
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – I (AUDITING)

Q. 2. Why computerized audit is required in the presence of manual audit? Elaborate the computerized auditing by application of Computer Assisted Audit Techniques (CAAT). **(20)**

Q. 3. Define audit and auditing. Comment on the auditor's (dependence) consideration of "reasonable assurance" and "True & Fair view" for the financial audit of a corporate entity. **(20)**

Q. 4. Write notes on any TWO of the followings: (10 marks each) **(20)**
(a) Audit materiality
(b) Misstatement and Fraud
(c) Test of Control and Substantive Procedures

SECTION – II (BUSINESS TAXATION)

Q. 5. Elaborate the following fundamental definitions/terminologies as defined under Section 2 of the Income Tax Ordinance 2001. **(20)**
(a) Heads of Income [Section 11]
(b) Tax Credits [Section 61 to 65]
(c) Capital Gains [Section 37 to 38]

Q. 6. ABC (Pvt) Limited has earned income from business amounting to Rs. 75056000 during the tax year 2019. It also has a plaza situated in Faisalabad. The rent receivable from plaza amounts Rs. 47543000. Moreover, Company claims the following deductions (in Rs.): **(20)**

1. Property repair expenses	4324200
2. Lawyer fee to defend the title of property	6050000
3. Insurance premium of the property	1477500
4. Property tax paid	5422300
5. Tax with held by the tenants @17.5%	8320025
6. Rental income paid to HBFC	3600000
7. Administrative and collection charges	2900000

Required: Calculate Total income and the Tax payable by the Company for the tax year 2019. The company is a Non-filer.

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. How many legal forms of Business Entity exist in Pakistan? Explain the features of Joint Stock Company and its procedure of formation (stages for formation of a Joint Stock Company-both Public limited and Private Limited companies). **(20)**

Q. 8. XYZ Co. has Rs. 400 million in outstanding debt and Rs. 100 million in preferred stock. Its total value is Rs. 800 million. Its cost of debt (rd) is 8%, its cost of preferred stock is (rps) 9%, and its cost of common stock (rcs) is 12%. The firm has recently had numerous depreciation tax shields as well as low earnings. Consequently, it does not pay taxes. **(20)**

What is its Weighted Average Cost of Capital (WACC) assuming it will continue to not pay taxes?

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2021
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – I

Q. 2. You are required to prepare **Income Statement** for the period ending 31st December, 2019: **(20)**

Merchandise Opening Inventory.	18,000	Office Rent Expenses	2000
Sales Discount	4,000	Traveling Expenses	1,300
Sales Return & Allowances	2,000	Office Supplies Expense	700
Purchases	1,80,000	Interest Expense	1,700
Carriage	1,600	Postage Expense	200
Sales Salaries	12,000	Insurance Expense	400
Rent Expense-selling	1,200		
Advertising expense	1,400	Sales	2,17,000
Utilities expense-selling	900	Purchases Discount	1,700
Depreciation exp.-selling	400	Purchases Return. & Allow.	1,300
Office Salaries	8,000	Interest Earned	3,800

Q. 3. A, B are two partners sharing profits and losses in the ratio of 3:1. They admit K as a partner and he pays Rs. 30,000 as capital. The new ratio is to be 3:1:1. The goodwill of the firm is to be based on 3 years' purchase of the average 4 years' profits which are Rs. 15,000, 12,000, 18,000, 19,000.

Required:
Show the journal entries, if:
(A) K pays for the goodwill in cash. (10)
(B) He is unable to bring the cash for the goodwill. (10) **(20)**

Q. 4. XYZ purchased a delivery truck for the distribution of its finished products for Rs. 65,000 on 1st January, 2013. The expected useful life of that truck was five years and a salvage value of Rs. 5,000.

Required:
Calculate the following:
(A) The annual depreciation expense by applying sum of the year digit method. (10)
(B) Pass journal entries and prepare depreciation schedule. Also state the assumptions of this method. (10) **(20)**

SECTION – II

Q. 5. Attock Engineering Co. Ltd produces machines as per customer's specifications. The following data pertains to job order no. 1122:

Description: 6 machines.	Week ending 14/08	week ending 21/08
Material used Deptt. A	Rs. 4800	Rs.2600
Direct labor rate Deptt. A	Rs. 40/ hour	Rs. 40/ hour
Labor hour used Deptt A	1200	800
Direct labor rate Deptt B	Rs. 42/ hour	Rs. 42/ hour
Labor hour used Deptt.B	600	280
Machine hours. Deptt B	400	240
Applied FOH Deptt. A	Rs. 20/ labor hour	Rs. 20/ labor hour
Applied FOH Deptt. B	Rs. 18/ machine hour	Rs. 18/ machine hour

Marketing and administrative costs are charged to each order @ 20% of the cost to manufacture.

Required: Prepare job order cost sheet. Calculate sales price of the job, assuming that it has been contracted with a mark-up of 40% of cost. **(20)**

Q. 6. Volter company's contribution format income statement for the recent year is given below:

	Total (Rs.)	**Per unit (Rs.)**	**% of sales**
Sales (20,000) units	1,200,000	60	100%
Less Variable Exp.	900,000	45	?%
Contribution margin	300,000	15	?%
Less fixed Exp.	240,000		
Operating income	60,000		

Management is anxious to improve the company's profit performance and has asked you for an analysis of number of items.

Required:

(A) Compute the company's CM ratio and variable expense ratio. (10)

(B) Compute the company's breakeven point in both units and sales rupees. (10) **(20)**

Q. 7. Brooks Inc. uses process costing. The costs for Department 2 for April were:

Cost from preceding department		Rs.20,000
Cost added by department:		
Materials	Rs.21,816	
Labor	7,776	
FOH	4,104	33,696

The following information was obtained from the department's quantity schedule:

Units received	5,000
Units transferred out	4,000
Units still in process	1,000

The degree of completion of the work in process as to costs originating in department 2 was: 50% of units were 40% complete; 20% were 30% complete; and the balance were 20% complete.

Required: The cost of production report for Department 2 for April. **(20)**

Q. 8. When setting its predetermined overhead application rate, Tasty Inc. estimated its overhead would be Rs.75,000 and manufacturing would require 25,000 machine hours in the next year. At the end of the year, it found that actual overhead was Rs.74,000 and manufacturing required 24,000 machine hours.

Required:

(A) Determine the predetermined overhead rate. (10)

(B) What is the overhead applied during the year? (10) **(20)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2021
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) Use of Calculator is allowed.

PART – II
SECTION – I (AUDITING)

Q. 2. Explain in detail why there is an established need for auditing services for each of the following organizations. **(5 marks each)** **(20)**

(a) Publicly owned corporations
(b) Privately owned corporations
(c) State and local government agencies
(d) Partnerships

Q. 3. Explain computer audit approaches and also write a detailed note on the characteristics of Electronic Data Processing (EDP) system. **(20)**

Q. 4. Write a detailed note on the types of audit and auditors (GAAS). **(20)**

SECTION – II (BUSINESS TAXATION)

Q. 5. (a) According to the income tax ordinance, 2001, what do we mean by Resident and Non-Resident persons (sections 81-84)? Elaborate on the different types of resident persons. **(10)**

(b) According to the income tax ordinance, 2001, what do we mean by tax year [section 2(68)]. Elaborate on different kinds of tax years. **(10)** **(20)**

Q. 6. From the following data, calculate the tax payable by Mr. Sohail Aslam for the year ended 30th June 2020: **(20)**

(a) Salary Rs. 195,000 p.m.
(b) Special pay Rs. 25,000 p.m.
(c) Bonus for the year Rs. 585,000.
(d) Conveyance Allowance Rs. 15,000 p.m.
(e) Free accommodation provided by the employer. He was entitled to a house allowance of Rs. 420,000.
(f) Medical expenses reimbursed by his employer under the contract of employment Rs. 24,000.
(g) Zakat paid under the Zakat Ordinance during the year Rs. 48,000.
(h) Donation to the approved charitable institutions under section-61 Rs. 500,000.
(i) Legal expenses during the year Rs. 30,000.
(j) Amount paid for approved pension scheme during the year Rs. 190,000.
(k) Shares of listed companies purchased Rs. 10,00,000.

ACCOUNTANCY & AUDITING, PAPER-II

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. (a) Give hypothetical journal transactions that will have the following types of effects on the elements of balance sheet equation (Assets = Liabilities + Owner's Equity). **(10)**

(i) Increase in an asset and increase in a liability. **(02)**
(ii) Decrease in an asset and decrease in a liability. **(02)**
(iii) Increase in one asset and decrease in another asset. **(02)**
(iv) Increase in an asset and increase in owner's equity. **(02)**
(v) Increase in one asset, decrease in another asset and increase in a liability. **(02)**

(b) Using the information given in the following table, complete the balance sheet given underneath and write it down in answer book provided. Show there the required calculations as well. **(10) (20)**

Table

Long Term Debt to Equity	0.5 to 1
Total assets turnover	2.5 times
Average Collection Period (assume 360 day year and all sales on credit)	18 days
Inventory turnover	9 Times
Gross Profit Margin	10 %
Acid-test ratio	1 to 1

Balance Sheet

Cash	$	Notes and Notes Payable	$100,000
Accounts Receivable		Long-Term Debt	
Inventory		Common Stock	100,000
Plant and Equipment		Retained Earnings	100,000
Total Assets	$	Total Liabilities and shareholders' equity	$

Q. 8. Explain in detail the factors which are related to the risk structure of interest rates. **(20)**

****

Roll Number

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2022
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS PART-I(MCQS): MAXIMUM 30 MINUTES	PART-I (MCQS) PART-II	MAXIMUM MARKS = 20 MAXIMUM MARKS = 80

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) Use of Calculator is allowed.

PART – II
SECTION – I

Q. 2. Campus Theater adjusts its accounts every month. The company's unadjusted trial balance dated August 31, current year, appears as follows. Additional information is provided for use in preparing the company's adjusting entries for the month of August. (Bear in mind that adjusting entries have already been made for the first seven months of current year, but not for August.)

CAMPUS THEATER
Unadjusted Trial Balance
August 31, Current Year

Cash	$ 24,000	
Prepaid film rental	37,440	
Land	144,000	
Building	201,600	
Accumulated depreciation: Building		$ 16,800
Fixtures and equipment	43,200	
Accumulated depreciation: fixtures and equipment		14,400
Notes payable		216,000
Accounts payable		5,280
Unearned admissions revenue (YMCA)		1,200
Income taxes payable		5,688
Capital stock		48,000
Retained earnings		55,932
Dividends	18,000	
Admissions revenue		366,240
Concessions revenue		17,220
Salaries expense	82,200	
Film rental expense	113,400	
Utilities expense	11,400	
Depreciation expense: building	5,880	
Depreciation expense: fixtures and equipment	5,040	
Interest expense	12,600	
Income taxes expense	48,000	
	$746,760	**$746,760**

Other Data

1. Film rental expense for the month is $18,240. However, the film rental expense for several months has been paid in advance.
2. The building is being depreciated over a period of 20 years (240 months).
3. The fixtures and equipment are being depreciated over a period of five years (60 months).
4. On the first of each month, the theater pays the interest that accrued in the prior month on its note payable. At August 31, accrued interest payable on this note amounts to $1,800.
5. The theater allows the local YMCA to bring children attending summer camp to the movies on any weekday afternoon for a fixed fee of $600 per month. On June 28, the YMCA made a $1,800 advance payment covering the months of July, August, and September.
6. The theater receives a percentage of the revenue earned by Tastie Corporation, the concessionaire operating the snack bar. For snack bar sales in August, Tastie owes Campus Theater $2,700, payable on September 10. No entry has yet been made to record this revenue.

7. Salaries earned by employees, but not recorded or paid as of August 31, amount to $2,040. No entry has yet been made to record this liability and expense.
8. Income taxes expense for August is estimated at $5,040. This amount will be paid in the September 15 installment payment.
9. Utilities expense is recorded as monthly bills are received. No adjusting entries for utilities expense are made at month-end.

Required:

(a) For each of the numbered paragraphs, prepare the necessary adjusting entry (including an explanation). **(08)**

(b) Refer to the balances shown in the unadjusted trial balance at August 31. How many months of expense are included in each of the following account balances? (Remember, Campus Theater adjusts its accounts monthly. Thus, the accounts shown were last adjusted on July 31, current year.) **(09)**

1. Utilities Expense
2. Depreciation Expense
3. Accumulated Depreciation: Building

(c) Assume the theater has been operating profitably all year. Although the August 31 trial balance shows substantial income taxes expense, income taxes payable is a much smaller amount. This relationship is quite normal throughout much of the year. Explain. **(03) (20)**

Q. 3. During the current year, Hitchcock Developers disposed of plant assets in the following transactions.

Feb. 10. Office equipment costing $24,000 was given to a scrap dealer at no charge. At the date of disposal, accumulated depreciation on the office equipment amounted to $21,800.

Apr. 1. Hitchcock sold land and a building to Claypool Associates for $900,000, receiving $100,000 cash and a 5-year, 9 percent note receivable for the remaining balance. Hitchcock's records showed the following amounts:
Land, $50,000; Building, $550,000; Accumulated Depreciation: Building (at the date of disposal), $250,000.

Aug. 15. Hitchcock traded in an old truck for a new one. The old truck had cost $26,000, and its accumulated depreciation amounted to $18,000. The list price of the new truck was $39,000, but Hitchcock received a $10,000 trade-in allowance for the old truck and paid $28,000 in cash. Hitchcock includes trucks in its Vehicles account.

Oct. 1. Hitchcock traded in its old computer system as part of the purchase of a new system. The old system had cost $15,000, and its accumulated depreciation amounted to $11,000. The new computer's list price was $8,000. Hitchcock accepted a trade-in allowance of $500 for the old computer system, paying $1,500 down in cash and issuing a 1-year, 8 percent note payable for the $6,000 balance owed.

Required:

(a) Prepare journal entries to record each of the disposal transactions. Assume that depreciation expense on each asset has been recorded up to the date of disposal. Thus, you need not update the accumulated depreciation figures stated in the problem. **(16)**

(b) Will the gains and losses recorded in part affect the gross profit reported in Hitchcock's income statement? Explain. **(04) (20)**

Q. 4. S, T and Q were partners sharing profits in the proportion of 3:2:1. Their capitals on 31st December 2021, stood at $45,000, $15,000 and $15,500 respectively after adjustments of net profit of $18,000 for the year ending that date and drawings of $6,000, $4,000 and $2,000 respectively. It was discovered that while ascertaining the profits, the accountant did not take into consideration the following matters:

1. Interest @ 6% p.a. on capital as on January 1, 2021.
2. Q was entitled to a salary of $2,000 p.a. of which $490 was unpaid.
3. Till December 31, 2020, partners were sharing profits equally. Land costing $12,000 was purchased on the date of reallocation of profit, but no entry has been passed in that respect for which each partner contributed equal capital.
4. A loan of $5,000 from T as brought-forward from 2020 carrying interest at 8% p.a. was merged into his capital on July 1, 2021. No interest on loan was, however, charged to Profit and Loss Account.

Required:

Work out a Profit and Loss Adjustment Account and show the Journal Entries necessary for readjustments of Capital Accounts and the revised Capital Accounts of partners, assuming that all their dues are to be adjusted in the Capital Accounts. **(20)**

SECTION – II

Q. 5. Listed below are five items that may—or may not—require disclosure in the notes that accompany financial statements.

(a) Mandella Construction Co. uses the percentage-of-completion method to recognize revenue on long-term construction contracts. This is one of two acceptable methods of accounting for such projects. Over the life of the project, both methods produce the same overall results, but the annual results may differ substantially.

(b). One of the most popular artists at Spectacular Comics is leaving the company and going to work for a competitor.

(c). Shortly after the balance sheet date, but before the financial statements are issued, one of Coast Foods's two processing plants was damaged by a tornado. The plant will be out of service for at least three months.

(d). The management of Soft Systems believes that the company has developed systems software that will make Windows ® virtually obsolete. If they are correct, the company's profits could increase by 10-fold or more.

(e). College Property Management (CPM) withheld a $500 security deposit from students who, in violation of their lease, kept a dog in their apartment. The students have sued CPM for this amount in small claims court.

Required: **(20)**

For each case, explain what, if any, disclosure is required under generally accepted accounting principles. Explain your reasoning.

Q. 6. Juarez Inc. had the following inventories on March 1:

Finished Goods $15,000
Work in Process 19,070
Materials 17,000

The work in process account controls three jobs:

	Job 621	Job 622	Job 623
Materials	$2,800	$3,400	$1,800
Labour	2,100	2,700	1,350
Applied Factory-Overhead	1,680	2,160	1,080
Total	**$6,580**	**$8,260**	**$4,230**

The following information pertains to March operations:

(1) Materials purchased and received cost $19,000 at terms n/30.
(2) Materials requisitioned for production cost $21,000. Of this amount, $2,400 was for indirect materials; the difference was distributed: $5,300 to Job 621; $7,400 to Job 622; and $5,900 to Job 623
(3) Materials returned to the storeroom from the factory totaled $600, of which $200 was for indirect materials, the balance from Job 622.
(4) Materials returned to vendors totaled $800.
(5) Payroll of $38,000 was accrued in March.
(6) Of the payroll, direct labor represented 55%; indirect labor, 20%; sales salaries, 15%; and administrative salaries, 10%. The direct labor cost was distributed: $6,420 to Job 621; $8,160 to Job 622; and $6,320 to Job 623.
(7) Factory overhead, other than any previously mentioned, amounted to $9,404.50. Included in this figure were $2,000 for depreciation of factory building and equipment and $250 for expired insurance on the factory. The remaining overhead, $7,154.50, was unpaid at the end of March.
(8) Factory overhead was applied to production at a rate of 80% of the direct labor cost to be charged to the three jobs, based on the labor cost for March.
(9) Jobs 621 and 622 were completed and transferred to the finished goods warehouse,
(10) Both Jobs 621 and 622 were shipped and billed at a gross profit of 40% of the cost of goods sold.
(11) Cash collections from accounts receivable during March were $69,450.

Required:

(a) Prepare job order cost sheets to post beginning inventory data. **(5)**
(b) Journalize the March transactions with current postings to general ledger inventory accounts and to job order cost sheets. **(10)**
(c) Prepare a schedule of inventories on March 31. **(5)** **(20)**

Q. 7. Wheeler Company, a small supplier of computer parts, is currently producing a new computer sensory unit. The company has been producing 150 units per week and factory overhead (all fixed) was estimated to be $1,200 per week. The following is a schedule of the pay rates of three workers assigned to the new component:

Employee	Hourly rate
Clancy, D	$6.00
Lukan, T	8.00
Schott, J	7.00

Customers have been calling in for additional units, but management does not want work to exceed 40 hours per week. To motivate its employees to produce more, the company decided to institute an incentive wage plan. Under the plan, each worker would be paid a base rate per hour, as shown in the following schedule, and a premium of $1 per unit for all units when the total number exceeds 150.

Employee	Base rate
Clancy, D	$3.50
Lukan, T	5.50
Schott, J	4.50

The first week the plan was put into operation, production increased to 165 units. The shop superintendent studied the results and considered the plan too costly. Production had increased 10%, but the labour cost had increased by approximately 23.2%. The superintendent requested permission to redesign the plan to make the labour cost increase proportionate to the productivity increase.

Required:

(a) Calculate the dollar amount of the 23.2% labour cost increase. **(10)**

(b) Give an opinion, supported by figures, as to whether the shop superintendent was correct in assuming that the incentive wage plan was too costly, and discuss other factors to be considered. **(10)** **(20)**

Q. 8. WKZ Inc., with $20,000,000 of par stock outstanding, plans to budget earnings of 6% before income tax, on this stock. The Marketing Department budgets sales at $12,000,000. The budget director approves the sales budget and expenses as follows:

Marketing	....	15% of sales
Administrative	....	5%
Financial	....	1%

Labor is expected to be 50% of the total manufacturing cost; materials issued for the budgeted production will cost $2,500,000; therefore, any savings in manufacturing cost will have to be in factory overhead. Inventories are to be as follows:

	Beginning of Year	End of Year
Finished goods…………	$800,000	$1,000,000
Work in Process…………	100,000	300,000
Materials………………...	500,000	600,000

Required:

Prepare the budgeted cost of goods manufactured and sold statement, showing the budgeted purchases of materials and the adjustments for inventories of materials, work in process, and finished goods. **(20)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2022
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – I (AUDITING)

Q. 2. Define audit planning. What factors should be considered by an auditor in developing an audit plan. **(20)**

Q. 3. (a) Define an audit program. Give its advantages and disadvantages. **(10)**
(b) What are the purposes/benefits of conducting audit through a fixed audit program? **(10)** **(20)**

Q. 4. (a) Define 'Fraud' as applied to accounting. What are different types of frauds? **(10)**
(b) How will you detect and prevent the frauds related with embezzlement of cash? **(10)** **(20)**

SECTION – II (BUSINESS TAXATION)

Q. 5. ABC is a private limited company. The company manufactures and supplies consumer goods. ABC sells its product through various distributors in Karachi, Lahore and Islamabad. The following is the profit and loss account of ABC for the year ended on June 30, 2021: **(20)**

	Rs."000"		**Rs."000"**
Sundry expenses	2,240	Gross Profit	235,200
Office salaries	29,120	Interest on bank deposit	300
Rent, rates & taxes	8,960	Recovered bad debts (Allowed in the past)	448
Legal charges	2,016	Dividend	672
Finance charges on leased assets	350		
Advertisement	5,600		
Auditor's fees	6,720		
Cost of issue of debentures	5,600		
Loss on sales of furniture	2,240		
Provident fund contribution	7,840		
Bad debts	4,480		
Vehicle expenses	8,960		
Fire insurance premium	7,840		
Preliminary expenses	1,008		
Provision for taxes	10,080		
Provision for bad debts	4,480		
Liquidated damages	3,360		
Depreciation	44,800		
Net Profit	80,926		
Total	**236,620**	**Total**	**236,620**

Additional Information:

a) Sundry expenses include donation of Rs. 502,000 paid to an unrecognized charitable institution.

b) Office salaries include Rs.6,000,000 paid to one of the directors.

c) Provident Fund is recognized by the Income Tax Department.

d) Vehicle expenses are not vouched and verifiable to the extent of Rs.1,881,000.

e) Actual depreciation works out to Rs.32,650,000 only.

f) Lease rental for the year are Rs.1,750,000.

Required: Calculate the taxable income and tax liability of the company for the tax year 2021 from the above data.

Q. 6. Discuss ten allowable deductions under the head of "income from business" under section 20 of Income Tax Ordinance 2001. **(20)**

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. (a) What is the purpose of financial markets? How can this purpose be accomplished efficiently? **(10)**

(b) Discuss the functions of financial intermediaries. **(10) (20)**

Q. 8. Why do bonds with long maturities fluctuate more in price than do bonds with short maturities, given the same change in yield to maturity? **(20)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2023
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: THREE HOURS	PART-I (MCQS) MAXIMUM MARKS = 20
PART-I(MCQS): MAXIMUM 30 MINUTES	PART-II MAXIMUM MARKS = 80

NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – I

Q. 2. **(A)** What are the Accounting Principles? Define any four accounting principles shortly. (5)

(B) What are the Accounting Conventions? Define any four accounting conventions shortly. (5)

(C) The below mentioned balances are extracted from the books of Emerging Technologies Pvt. Ltd. as on 31st August 2022.

Head of Account	Amount
Sundry expenses	166,000
Opening Stock	400,000
Premises	3,775,000
Furniture	1,350,000
Machinery	2,600,000
Drawings	250,000
Purchases	6,455,000
Sales	12,262,000
Discount received	47,000
Discount allowed	54,000
Carriage outward	18,000
Returns inward	122,000
Return outwards	28,000
Closing Stock	372,500
Wages and salaries	1,750,000
Cash in hand	940,000
Rent, rates and taxes	137,000
Rent received in advance	53,000
Bills receivables	192,000
Trade creditors	2,076,000
Book debts	3,150,000
Bills payable	130,000
Bank loan	580,000
Capital	6,200,000
Carriage inward	17,000

Required: Prepare a Trial Balance as on that date in a proper format. (10) **(20)**

Q. 3. Deluxe Software Private Limited closes its books on 31st December every year. You are provided with the following data:

Shareholders Equity	**(Rs.'000')**	
	2021	**2020**
Opening	700	600
Profit after tax	220	200
	920	800
Dividend	(100)	(100)
Closing	820	700
Other data		
Number of Shares (in '000s)	60	60

Required:

(a) On the basis of above data, compute the following for the year 2020 and 2021 (5)

a. Earnings per share (EPS)
b. Return on closing equity (ROE)
c. Book value per share (BV)

(b) Compute dividend per share and rate of dividend for the year 2022. (5)

(c) For the year ending 31st December 2022 the management decided to aim for EPS Rs.4.00 (9% higher than for the year 2021) and return on closing equity of 25%. Compute the estimated book value as at 31st December 2022 assuming that management targets are achieved. Also compute estimated figures for Profit after Tax, Dividend and Equity. (10) **(20)**

Q. 4. **(A)** Post-closing Trial Balance of Premium Fabrics Private Limited for the year ended December 31, 2021 and 2022 are as follows:

	2022	**2021**
Equities and Liabilities		
Issued and paid-up capital	5,000,000	5,000,000
Short-term running finance	3,000,000	800,000
Unappropriate profit	400,000	300,000
Trade Creditors	3,000,000	1,000,000
Accumulated Depreciation:		
Plant and Machinery	900,000	600,000
Motor Vehicle	420,000	280,000
	12,720,000	**7,980,000**
Assets		
Land and Building	2,500,000	1,500,000
Plant and Machinery	3,000,000	2,500,000
Motor vehicles	620,000	580,000
Stock in Hand	3,600,000	1,100,000
Trade debtors	3,000,000	2,300,000
	12,720,000	**7,980,000**

Additional data:

- During the year 2022, a dividend @ 10% was distributed to the shareholders. The paid-up value of each share is Rs. 10/-
- A Motor vehicle, having original cost of Rs. 100,000 and depreciated book value of Rs. 60,000 was sold for Rs. 80,000.
- Gross funds generated from operations during the year was Rs. 1,060,000.

Required: prepare a cash flow statement of Premium Fabrics as per IAS-7 for the year 2022.

(B) Mr. Haider started a business on March 1st 2022 with a capital of Rs. 645,000. His newly appointed bookkeeper records transaction on simple papers. His cash book page shows following transactions for the year. (10)

Particulars	**Amount**	**Particulars**	**Amount**
Expenses Paid	27,500	Sales on cash	322,000
Receipts from debtors	241,000	Drawings of Mr. Haider	25,500
Purchase of Motorbike	92,000	Payments to creditors	322,000
Purchases on cash	148,000		

On December 31st 2022 value of closing stock is 46,000. The payables and receivables are Rs.125,000 and Rs. 80,000 respectively. Useful life of motorbike is 8 years and salvage value will be 32000. Bookkeeper decided to use the straight-line method of depreciation for the whole useful life of motorbike.

Required: Prepare Trading and Profit and Loss account and Balance Sheet as on 31st December 2022. (10) **(20)**

SECTION – II

Q. 5. **(A)** Eagle Star is a manufacturing company. The Company uses Rowan Premium bonus scheme for its workers payroll. Workers are also entitled to dearness allowance of Rs. 2,400 per week of 48 hours. Mr. Afzal is one of the workers of that company. His basic wage rate is 1,200 per day of 8 hours. His time sheet for the week is as under:

Job Name	**Time Allowed**	**Time Taken**
Crafting	25 hours	20 hours
Assembling	30 hours	20 hours
Idle time (Waiting)	-----	8 hours

Required: Calculate gross wage of Mr. Afzal for the week. (10)

(B) An Automobile factory will use 500,000 tyres for its production in coming year. The incremental cost of placing an order is Rs. 8,000. The cost of storing a tyre for whole year is Rs. 2000.Lead time on an order is 5 days and the company wishes to keep reserve supply of two days usage. Usage per day will be constant in whole work year. Company work year consists of 250 days.

Required: Calculate Economic Order Quantity and Reorder point.

(10) **(20)**

Q. 6. **(A)** A manufacturing company of Lahore submits the following information for the year ending 31st December 2022:

Particulars	Amount	Particulars	Amount
Sales	4,500,000	Raw Material 1st January	150,000
Purchases	2,020,000	Finished Goods 1st January	700,000
Tools Expenses	45,000	Indirect Labour	50,000
Depreciation of Plant	45,000	Power, Heat & Light	30,000
Work in process 1st January	300,000	Finished Goods 31st December	605,000
Purchase Retunes	20,000	Depreciation of machinery	60,000
Fire Insurance	8,000	Raw Material 31st December	290,000
Direct Labour	590,000	Work in Process 31st December	250,000
Misc. Manufacturing Costs	9,000	Indirect Material Consumed	50,000
Selling Expenses	5% of sales	Administrative Expenses	2% of sales

Required: Prepare an Income Statement for the year ended 31st December 2022 (10)

(B) Khizra manufacturing corporation has fixed cost for the year ended 31st December 2022 is Rs. 400,000. Variable cost per unit is Rs. 20. Each Unit sells at Rs. 100.

Required:

a) Break Even point (both in units and value) (2)

b) If turnover for the next year is Rs. 800,000, calculate the estimated contribution and profit, assuming the cost and selling price remain the same (4)

c) A profit target of Rs. 400,000 has been desired for the next year. Calculate the turnover required to achieve the desired result. (4) (10) **(20)**

Q. 7. The Balance Sheet of Fazal Din & Co. as on 31st December 2021 was as follows:

BALANCE SHEET

Liabilities & Capital	Amount	Assets	Amount
Current Liabilities	Rs. 17,500	Cash	Rs. 5,000
Paid-up-Capital		Accounts Receivable	Rs. 10,000
3,000 ordinary shares of Rs. 10 each	Rs. 30,000	Materials	Rs. 4,000
		Work in Process	Rs. 2,000
Retained Earnings	Rs. 10,000	Finished Goods	Rs. 6,000
		Prepaid expenses	Rs. 500
		Fixed Assets(net)	Rs. 30,000
	Rs. 57,500		**Rs. 57,500**

During the year 2022 the retained earnings increase 50% as a result of good business. No dividend was paid during the year. Balances of Accounts receivables, prepaid expenses, current liabilities and paid-up capital were the same as 31st December 2022 as they had been on 31st December 2021, Inventories were reduced as follows:

Material	50%
Work in process	50%
Finished goods	33-1/3%

Fixed Assets were reduced by depreciation of Rs. 4,000 charged 3/4th to factory overhead and 1/4th to administrative expenses. Sales were made of Rs. 60,000 on account of finished goods costing Rs. 40,000. Direct labor cost was Rs. 9,000. Factory overhead was applied at the rate of 100% of direct labor cost, leaving Rs. 2,000 under applied which was closed to cost of goods sold account. Total marketing and administrative expenses amounting to 10% and 15% respectively of the gross sales.

Required:

(a) An Income statement for 2022, along with the details of Cost of goods manufactured and sold (10)

(b) A balance Sheet as on 31st December 2022. (10) **(20)**

Q. 8. A chemical factory manufactures three kinds of chemicals namely Eucalyptus oil, Hexachlorobenzen and Toxaphene. In the last week of December 2022, the records were:

Labor Grade	No of Employees	Rate per hour (Rs.)	Hours Worked by each employee
I	12	40	40
II	36	32	42
III	8	28	40
IV	2	16	44

Output and standard times during the same week were as follows:

Components	Output (In Units)	Standard Minutes for each unit
Eucalyptus oil	888	30
Hexachlorobenzen	1800	54
Toxaphene	960	66

Normal working hours per week are 38. Overtime is paid at the premium of 50 % of the normal hour rate.

Group Incentive Scheme:

A group incentive scheme is in operation. The time saved is expressed as a percentage of hours worked and is shared between the group as a proportion of the hours worked by each grade. The incentive rate is 75% of the normal hour rate.

Required: Prepare the payroll for the last week of December 2022 showing the basic pay, overtime and incentive amount as separate totals for each grade of labor. **(20)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2023
FOR RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY & AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS **PART-I(MCQS): MAXIMUM 30 MINUTES**	**PART-I (MCQS) MAXIMUM MARKS = 20** **PART-II MAXIMUM MARKS = 80**

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

PART – II
SECTION – I (AUDITING)

Q. 2. Define professional skepticism and explain its key characteristics. Why should auditors act as though there is always a potential conflict of interest between the auditor and the management of the enterprise under audit? **(20)**

Q. 3. What are CAATs? What are some audit procedures that can be performed using CAATs? What advantages are derived from using CAATs in the financial statement audit? **(20)**

Q. 4. Define and explain the differences among several kinds of employee frauds that might occur at an audit client. **(20)**

SECTION – II (BUSINESS TAXATION)

Q. 5. **a.** Zia inherited certain assets from his father in the year 20x1. The fair market values of the assets on the date of inheritance were as follows:

	Rs.
25,000 shares of a private limited company	25,00,000
21,000 shares of public listed company	4,62,000
Membership card of Pakistan Stock Exchange	20,000,000
Jewelry	15,00,000

During the tax year 20x5, Zia undertook the following transactions:

1) He gifted some of the assets to his 20-year old son Ishaq. The detail and fair market values of the assets are as follows:

	Rs.
-----10,000 shares of a private limited company	2,000,000
-----10,000 shares of a public limited company	1,700,000
----- Membership card of Pakistan Stock Exchange	40,000,000

2) The remaining shares were sold as follows:

	Rs.
----- shares of a private limited company	3,000,000
----- shares of a public limited company .	1,500,000

Ishaq sold all the assets transferred through gift in the same year. The assets fetched the following amounts:

	Rs.
-----10,000 shares of a private limited company	2,500,000
-----10,000 shares of a public limited company	1,500,000
----- Membership card of Pakistan Stock Exchange	55,000,000

Required:

(i) Based upon the above information, compute the taxable income of Zia and Ishaq for the tax year 20x5 **(10)**
(ii) Give a brief explanation for the items not included in the taxable income. **(10)** **(20)**

Q. 6. Explain the correct tax treatment in each of the following situations: **(20)**

1. Mr. Hamza made a total contribution of Rs. 150,000 as a donation to the approved institution mentioned in the 13th schedule. His total income from a business during the tax year 2023 is Rs. 1,800,000.
2. Nine years ago, Masood inherited a rare sculpture of Buddha which had a fair market value of Rs. 200,000 on the date of inheritance. In August 2022, the sculpture was sold by him at Rs. 500,000.
3. In June 2022, Imran entered into an agreement for the sale of the residential plot to Ibrahim, who paid an advance of Rs. 500,000. According to the agreement, Ibrahim was required to pay the balance by August 31, 2022. However, instead of paying the balance amount, he terminated the sale agreement. Imran forfeited the advance of Rs. 500,000 in accordance with the terms of the agreement.
4. In September 2022, Adnan sold his personal car, Toyota Corolla, to one of his cousins at the price of Rs. 500,000 whereas the fair market value of the car was Rs. 20,00,000. The car was purchased by him six years ago at of cost of Rs. 10,00,000.
5. Imran was working as a Chief Financial Officer in Dawood Pakistan (Pvt) Limited, which is a wholly owned subsidiary of Dawood AG, Germany. According to the Company's policy, Imran was sent on secondment to Germany on January 1, 2022, for a period of five years. During this period, half of his salary will be credited to his bank account in Pakistan, whereas the remaining portion will be received by him in Germany.
6. Maqsood provided consultancy services to a listed company. In consideration for his services, he received a net amount of Rs. 45,000 after a tax deduction of Rs. 5,000.

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. Fitch Industries is in the process of choosing the better of two equal-risk, mutually exclusive capital expenditure projects, M and N. The relevant cash flows for each project are shown in the following table. The firm's cost of capital is 9%. **(20)**

	Project M	Project N
Initial investment-Cash Outflow	-$40,000	-$40,000
Year (t)	Cash inflows	Cash inflows
1	$14,000	$23,000
2	14,000	12,000
3	14,000	10,000
4	14,000	9,000

i. Calculate each project's payback period.
ii. Calculate the net present value (NPV) for each project.
iii. Calculate the internal rate of return (IRR) for each project.
iv. Summarize the preferences dictated by each measure you calculated, and indicate which project you would recommend. Explain why?

Q. 8. How have globalization and information technology created new opportunities for entrepreneurs? How does an aging population create opportunities for entrepreneurs? Describe current demographic trends that suggest new goods and services for entrepreneurial businesses. **(20)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2024 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

TIME ALLOWED: THREE HOURS	**(PART-I MCQs) MAXIMUM MARKS: 20**
PART-I (MCQs) : MAXIMUM 30 MINUTES	**(PART-II) MAXIMUM MARKS: 80**

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ■ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. The accountant of Usman and Sons Pvt. Ltd. discovered that a sale of PKR 20,000 to a customer was recorded in last year's accounts, although the goods were delivered in the current year. The company follows the accrual basis of accounting. What is the impact on the current year's profit after correcting this error?
(A) Increase by PKR 20,000 (B) Decrease by PKR 20,000 (C) No change (D) None of these

2. XYZ Co. has a balance of PKR 30,000 in Trade Payables. A reconciliation of the control account revealed the following:
1. **An invoice of PKR 4,000 from a supplier was recorded twice.**
2. **Purchase returns of PKR 2,000 were not recorded.**
3. **A discount received of PKR 1,000 was ignored.**

What is the correct balance in Trade Payables after the three aforementioned adjustments?
(A) PKR 25,000 (B) PKR 23,000 (C) PKR 26,000 (D) None of these

3. ABC Co. had an opening inventory of PKR 100,000, purchases of PKR 600,000, purchase returns of PKR 40,000, and a closing inventory of PKR 80,000. The company's total sales for the year were PKR 1,000,000, with sales returns amounting to PKR 20,000. Its total expenses, excluding the cost of goods sold, were PKR 200,000, and it received a government grant of PKR 10,000. What is the company's gross profit for the year?
(A) PKR 420,000 (B) PKR 400,000 (C) PKR 620,000 (D) None of these

4. Faisal Ltd. revalued its property from the original cost of PKR 400,000 to PKR 600,000. The accumulated depreciation on the property was PKR 100,000, and the company spent PKR 40,000 on improvements just after the revaluation. What will be the revaluation surplus recorded in the revaluation reserve?
(A) PKR 980,000 (B) PKR 600,000 (C) PKR 300,000 (D) None of these

5. Shortly after the end of the reporting period, Company AXA's factory was damaged by a natural disaster. The factory was insured, however, the insurance claim process is ongoing. This factory accounted for 20% of the company's production capacity. How should this event be reported in the financial statements of the company?
(A) As a non-adjusting event, with disclosure in the notes about the event and its potential financial impacts.
(B) As a non-adjusting event, with a provision for the estimated insurance receivable.
(C) Recognize an impairment loss for the factory and an insurance receivable in the financial statements.
(D) None of these

6. Company P holds a 25% stake in Company S. During the year, Company S reports a significant profit and decides to issue dividends. Additionally, Company S revalues its property, plant, and equipment, resulting in a substantial increase in its net assets. Considering the equity method, how should Company P reflect these changes in its financial statements?
(A) Increase in investment carrying amount due to profit, decrease due to dividend
(B) Increase in investment carrying amount due to revaluation of PPE
(C) Recognition of dividend as income (debit cash received or dividend receivable and credit other income) with no change in carrying amount (D) None of these

7. Company P acquires 80% of Company S for PKR 4,000,000. The carrying value of Company S's identifiable net assets at the time of acquisition is PKR 2,400,000. From independent valuation it was found the fair value of S's assets are PKR 3,000,000. Calculate goodwill using the Proportionate Goodwill Method.
(A) PKR 2,120,000 (B) PKR 1,600,000 (C) PKR 1,800,000 (D) None of these

8. During the year, Company X had Net Sales of PKR 600,000, Cost of Goods Sold of PKR 360,000, Operating Expenses of PKR 100,000, Interest Expense of PKR 20,000, Dividend Income of PKR 10,000, Dividend Paid to the Ordinary Shareholders of PKR 15,000, and a Tax Rate of 25%. What is the Net Profit of Company X to appear in the statement of profit or loss?
(A) PKR 97,500 (B) PKR 110,500 (C) PKR 82,500 (D) None of these

9. A company bought a machine for PKR 200,000. It expects the machine to produce 20,000 units over its life. In the first year, 2,000 units were produced, and in the second year, 3,000 units were produced. Using the units of production depreciation method, what is the total accumulated depreciation at the end of the second year?
(A) PKR 20,000 (B) PKR 30,000 (C) PKR 50,000 (D) None of these

10. Company AAA is calculating its basic earnings per share (EPS). If the company has a net income of PKR 3 million, preferred dividends of PKR 600,000, and 1,600,000 ordinary shares outstanding for the first half of the year and 2,400,000 for the second half, what is the basic EPS?

(A) PKR 1.20 per share (B) PKR 1.50 per share (C) PKR 1.75 per share (D) None of these

11. Factory ABB had total costs of PKR 40,000 for 1,600 hours of production and PKR 56,000 for 2,400 hours. What would be the total cost for 2,000 hours of production using the high/low method?

(A) PKR 46,000 (B) PKR 48,000 (C) PKR 50,000 (D) None of these

12. If a company's EOQ is 600 units, the cost of ordering is PKR 10 per order, and the cost of holding one unit per year is PKR 4, what is the annual demand?

(A) 72,000 units (B) 36,000 units (C) 18,000 units (D) None of these

13. For Company A, the average daily usage is 1,200 units, minimum daily usage is 1,000 units, average lead time is 3 weeks, and the reorder level is 50,400 units. What should be the minimum inventory level for the company?

(A) 21,600 units (B) 24,200 units (C) 25,200 units (D) None of these

14. Company Z uses an overhead absorption rate based on direct labor hours to absorb manufacturing overheads. At the beginning of the year, company Z estimated manufacturing overheads would be PKR 300,000 and direct labor hours would be 30,000. The actual figures for the year were PKR 256,000 for manufacturing overheads and 17,600 direct labor hours. The cost records for the year will show which of the following?

(A) Under-absorption of PKR 80,000 (B) Over-absorption of PKR 80,000

(C) Under-absorption of PKR 106,000 (D) None of these

15. In August 2020, OS Co. incurs the following costs and revenues in manufacturing and selling 20,000 units of its products (amount in PKR):

Production supervision	**5,000**
Factory premises costs (rental and insurance)	**8,000**
Direct materials	**15,000**
Direct labor	**16,500**
Depreciation of machinery	**6,000**
Selling and administration costs	**13,000**
Sales	**90,000**

What is the marginal cost per unit of cake?

(A) PKR 2.155 per unit (B) PKR 1.575 per unit (C) PKR 3.050 per unit (D) None of these

16. A clothing manufacturer uses 2 meters of fabric at PKR 3 per meter and 1 meter of lining at PKR 2 per meter for a dress. If the plan is to make 300 dresses, what is the total budget for material?

(A) PKR 2,400 (B) PKR 900 (C) PKR 1,800 (D) None of these

17. Company C's sales price variance in December 2022 is calculated using the following data. Budgeted sales are 1,000 units, and actual sales are 1,200 units. Budgeted revenue was PKR 25,000 and actual revenue was PKR 32,400.

(A) PKR 2,400 (Favorable) (B) PKR 2,400 (Adverse) (C) PKR 2,000 (Favorable) (D) None of these

18. Calculate the materials usage variance using the following information: Total budgeted cost of material A = PKR 25,000. Total actual cost of material A = PKR 37,600. Standard usage of material A in production = 5,000 units. Actual usage of material A in production = 4,700 units.

(A) PKR 1,500 (Adverse) (B) PKR 1,500 (Favorable) (C) PKR 1,250 (Favorable) (D) None of these

19. What does a high asset turnover ratio generally indicate when evaluating the performance of a company?

(A) High efficiency in using assets to generate sales (B) Low sales generation from assets

(C) Poor operational efficiency (D) High long-term investment

20. AZA Co. needs 100 hours of labor for a project. The current labor rate is PKR 50 per hour. They have no spare capacity and can hire additional staff at PKR 60 per hour. What is the relevant cost of labor for this job?

(A) PKR 5,000 (B) PKR 6,000 (C) PKR 1,000 (D) None of these

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

SECTION – I

Q. 2. The accountant of LRN Co. has prepared the following list of account balances as at 31 December 2014:

Trial balance as at 31 December 2014:

	PKR'000	PKR'000
50pesa ordinary shares (fully paid)		450
10% debentures (secured)		200
Retained earnings 1.1.2014		242
General reserve 1.1.2014		171
Land and buildings 1.1.2014 (cost)	430	
Plant and machinery 1.1.2014 (cost)	830	
Accumulated depreciation:		
Buildings 1.1.2014		20
Plant and machinery 1.1.2014		222
Inventory 1.1.2014	190	
Sales		2,695
Purchases	2,152	
Ordinary dividend	15	
Debenture interest	10	
Wages and salaries	254	
Light and heat	31	
Sundry expenses	113	
Suspense account		135
Trade accounts receivable	179	
Trade accounts payable		195
Cash	126	
	4,330	4,330

Notes to trial balance:

(a) Sundry expenses include PKR 9,000 paid in respect of insurance for the year ended 1 September 2015. Light and heat does not include an invoice of PKR 3,000 for electricity for the three months ending 2 January 2015, which was paid in February 2015. Light and heat also include PKR 20,000 relating to salesman's commission.

(b) The suspense account is in respect of the following items:

	PKR'000
Proceeds from share issue of 100,000 ordinary shares	120
Proceeds from sale of plant	300
	480
Less consideration for acquisition of MAY & Co	285
	135

(c) The net assets of Mary & Co were purchased on 3 March 2014. Assets were valued as follows:

	PKR'000
Equity instruments	231
Inventory	34
	265

All the inventory acquired was sold during 2014. The equity instruments were still held by Learning at 31.12.2014. Goodwill has not been impaired in value.

(d) The property was acquired some year ago. The buildings element of the cost was estimated at PKR 100,000 and the estimated useful life of the assets was fifty years at the time of purchase. As at 31 December 2014 the property is to be revalued at PKR 800,000.

(e) The plant which was sold had costs PKR 350,000 and had a net book value of PKR 274,000 as at 1.1.2014. PKR 36,000 depreciation is to be charged on plant and machinery for 2014.

(f) The management wish to provide for:

- Debenture interest due
- A transfer to general reserve of PKR 16,000
- Audit fees of PKR 4,000

(g) Inventory as at 31 December 2014 was valued at PKR 220,000 (at cost)

(h) Tax is to be ignored

(i) Take all depreciation to cost of sales **(20)**

Required:

Prepare the financial statements of LRN Co as at 31 December 2014. You do not need to produce notes to the statements.

Q. 3. (a) The objective of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations specifies, amongst other things, accounting for and presentation and disclosure of discontinued operations.

Required: **(08)**

Define a discontinued operation and explain why the disclosure of such information is important to users of financial statements.

(b) RCR Co's sole activity is the operation of hotels all over the world. After a period of declining profitability, Radar's directors made the following decisions during the year ended 31 March 2013:

- it disposed of all of its hotels in country A;
- it refurbished all of its hotels in country B in order to target the holiday and tourism market. The previous target market in country B had been aimed at business clients.

Required: **(6)**

Treating the two decisions separately, explain whether they meet the criteria for being classified as discontinued operations in the financial statements for the year ended 31 March 2013.

(c) At a board meeting on 1 July 2012, PPP Co's directors made the decision to close down one of its factories on 31 March 2013. The factory and its related plant would then be sold.

A formal plan was formulated, and the factory's 250 employees were given three months' notice of redundancy on 1 January 2013. Customers and suppliers were also informed of the closure at this date.

The directors of PPP Co. have provided the following information:

Fifty of the employees would be retrained and deployed to other subsidiaries within the group at a cost of PKR 125,000; the remainder will accept redundancy and be paid an average of PKR 5,000 each.

The factory plant has a carrying amount of PKR 2.2 million but is only expected to sell for PKR 500,000 incurring PKR 50,000 of selling costs; however, the factory itself is expected to sell for a profit of PKR 1.2 million.

The company rents a number of machines under operating leases which have an average of three years to run after 31 March 2013. The present value of these future lease payments (rentals) at 31 March 2013 was PKR 1 million; however, the lessor has said they will accept PKR 850,000 which would be due for payment on 30 April 2013 for their cancellation as at 31 March 2013.

Penalty payments due to non-completion of supply contracts are estimated at PKR 200,000.

Required: **(6)**

Explain and quantify how the closure of the factory should be treated in PPP Co's financial statements for the year ended 31 March 2013.

Note: The closure of the factory does not meet the criteria of discontinued operation.

ACCOUNTANCY AND AUDITING, PAPER-I

Q. 4. On 1 January 2012, VX Co. acquired 90% of the equity share capital of GN Co. in a share exchange in which VX Co. issued two new shares for every three shares it acquired in GN Co. Additionally, on 31 December 2012, VX Co. will pay the shareholders of GN Co. PKR 1.76 per share acquired. VX Co's cost of capital is 10% per annum.
At the date of acquisition, shares in VX Co. and GN Co. had a stock market value of PKR 6.50 and PKR 2.50 each, respectively.

Income statements for the year ended 30 September 2012

	VX CO PKR'000	**GN CO PKR'000**
Revenue	64,600	38,000
Cost of sales	(51,200)	(26,000)
Gross profit	13,400	12,000
Distribution costs	(1,600)	(1,800)
Administrative expenses	(3,800)	(2,400)
Investment income	600	Nil
Finance costs	(420)	Nil
Profit before tax	8,080	7,800
Income tax expense	(2,800)	(1,600)
Profit for the year	5,280	6,200
Equity as at **1 October 2011**		
Equity shares of PKR 1 each	30,000	10,000
Retained earnings	54,000	35,000

The following information is relevant:

(i) At the date of acquisition, the fair values of GN Co's assets were equal to their carrying amounts with the exception of two items:
- An item of plant had a fair value of PKR 1.8 million above its carrying amount. The remaining life of the plant at the date of acquisition was three years. Depreciation is charged to cost of sales.
- GN Co. had a contingent liability which VX Co. estimated to have a fair value of PKR 450,000. This has not changed as at 30 September 2012. GN Co. has not incorporated these fair value changes into its financial statements.

(ii) VX Co's policy is to value the non-controlling interest at fair value at the date of acquisition. For this purpose, GN Co's share price at that date can be deemed to be representative of the fair value of the shares held by the non-controlling interest.

(iii) Sales from VX Co. to GN Co. throughout the year ended 30 September 2012 had consistently been PKR 800,000 per month. VX Co. made a mark-up on cost of 25% on these sales. GN Co. had PKR 1.5 million of these goods in inventory as at 30 September 2012.

(iv) VX Co. investment income is a dividend received from its investment in a 40% owned associate which it has held for several years. The underlying earnings for the associate for the year ended 30 September 2012 were PKR 2 million.

(v) Although GN Co. has been profitable since its acquisition by VX Co, the market for GN Co's products has been badly hit in recent months and VX Co. has calculated that the goodwill has been impaired by PKR 2 million as at 30 September 2012.

Required:

(a) Calculate the consolidated goodwill at the date of acquisition of Greca. **(6)**

(b) Prepare the consolidated income statement for Viagem for the year ended 30 September 2012. **(14)**

Q. 5. **(a)** The accounting treatment of investment properties is prescribed by IAS 40 Investment Property

Required:

(i) Define investment property under IAS 40 and explain why its accounting treatment is different from that of owner-occupied property; **(3)**

(ii) Explain how the treatment of an investment property carried under the fair value model differs from an owner-occupied property carried under the revaluation model. **(2)**

(b) Sikandar Co. owns the following properties at 1 April 2012:

Property A: An office building used by Sikandar Co. for administrative purposes with a depreciated historical cost of PKR 2 million. At 1 April 2012 it had a remaining life of 20 years. After a reorganization on 1 October 2012, the property was let to a third party and reclassified as an investment property applying Sikandar's policy of the fair value model. An independent valuer assessed the property to have a fair value of PKR 2.3 million at 1 October 2012, which had risen to PKR 2.34 million at 31 March 2013.

Property B: Another office building sub-let to a subsidiary of Sikandar Co. At 1 April 2012, it had a fair value of PKR 1.5 million which had risen to PKR 1.65 million at 31 March 2013.

Required:

Prepare extracts from Sikandar Co's entity statement of profit or loss and other comprehensive income and statement of financial position for the year ended 31 March 2013 in respect of the above properties. In the case of property B only, state how it would be classified in Sikandar Co. consolidated statement of financial position. **(5)**

Note: Ignore deferred tax.

(c) Sikandar Co's main item of plant is a furnace which was purchased on 1 October 2009. The furnace has two components: the main body (cost PKR 60,000 including the environmental provision – see below) which has a ten-year life, and a replaceable liner (cost PKR 10,000) with a five-year life.

The manufacturing process produces toxic chemicals which pollute the nearby environment. Legislation requires that a clean-up operation must be undertaken by Shawler on 30 September 2019 at the latest. Shawler received a government grant of PKR 12,000 relating to the cost of the main body of the furnace only.

The following are extracts from Shawler's statement of financial position as at 30 September 2011 (two years after the acquisition of the furnace):

	Carrying amount (PKR)
Non-current assets	
Furnace: main body	48,000
replaceable liner	6,000
Current liabilities	
Government grant	1,200
Non-current liabilities	
Government grant	8,400
Environmental provision	18,000 (present value discounted at 8% per annum)

Required:

(i) **Prepare equivalent extracts from Sikandar Co's statement of financial position as at 30 September 2012;** **(3)**

(ii) **Prepare extracts from Sikandar Co's income statement for the year ended 30 September 2012 relating to the items in the statement of financial position.** **(3)**

(d) On 1 April 2012, the government introduced further environmental legislation which had the effect of requiring Sikandar Co. to fit anti-pollution filters to its furnace within two years. An environmental consultant has calculated that fitting the filters will reduce Sikandar Co's required environmental costs (and therefore its provision) by 33%. At 30 September 2012 Shawler had not yet fitted the filters. **(4)**

Required:

Advise Sikandar Co. as to whether they need to provide for the cost of the filters as at 30 September 2012 and whether they should reduce the environmental provision at this date.

SECTION – II

Q. 6. HN is a fitness center, offering 'pay as you go' gym facilities. It has a fully fitted gym with the capacity to accommodate 200 users at one time. It also has 100 car parking spaces and an onsite cafe, both of which are only for customers using the gym. The fitness center has shower facilities for customers and HN provides all customers with a clean towel to use on entry. It is open 360 days a year, from 7.00am until 9.00pm.

Customers pay PKR 8.40 for access to the gym for one hour plus unlimited time in the café. If customers want to use the car park, they have to pay an additional PKR 1 per visit and 80% of visiting customers use the car park. HN has been monitoring the number of customers attending throughout each day for the month of June, which was considered to be an average month, and for which HN was open for 30 days. It has determined that the average number of customers per day is 330 with 40 of these customers attending during the time of 9.00am to 5.00pm .

The total costs of the fitness center for June, excluding the café, have also been recorded and analyzed as follows:

Fixed costs per month = PKR 48,000
Variable cost per customer = PKR 1.20

On average, half of the customers also used the cafe in June, with an average spending per customer of PKR 2.20. Of this spending, 60% related to drinks, which have a profit margin of 60%, and the remainder related to food items, which have a profit margin of 40%. The specific fixed costs associated with running the café are PKR 3,600 for the month.

Creche proposal
After reviewing all of the above information, the manager of HN has put together a proposal to close the café at the fitness center and convert it into a creche for children. This would mean that parents could leave their children in the creche whilst they use the fitness center between the hours of 9.00am and 5.00pm only. The charge for the creche would be PKR 4 per child, per hour.
Initial research suggests that customers have an average of two children each. The creche is expected to attract new customers and increase the average number of customers between 9.00am and 5.00pm by 300%. Only these new customers will use the creche facilities. Car park usage is expected to continue to be 80%. The fixed costs associated with running the creche are estimated to be PKR 8,000 per month, with a variable cost of PKR 0.50 per child, per hour.

Required: (20 marks)

(a) Calculate both the number of customers HN needs to break even and the margin of safety as a percentage for the month of June for:
- **(i) The gym; and** **(5)**
- **(ii) The café.** **(5)**

(b) Explain what each of your calculations in (a) tells Health Nuts about the performance of the gym and the café. **(5)**

(c) Advise Health Nuts, considering both financial and non-financial factors, whether it should replace the café with a crèche. **(5)**

Q. 7. Y Co. owns a number of restaurants. It is a well-established company, and its restaurants have gained a favorable reputation for the quality of their meals.

Y Co's restaurants are all set in rural locations, where there is limited competition and this enabled them to develop a loyal customer base. Restaurants design their own menus and décor to fit with the requirements of their local market.

Y Co has been consistently profitable, however as is the case across the restaurant industry, profit margins are quite low and there is still a constant need for Y Co to monitor costs.

One of Y Co's restaurants is located in the small town of Town C. Town C has recently been the location for the filming of a popular television series and visitor numbers to the town have increased significantly as a result. Y Co's restaurant in Town C has noticed a similar increase in customer numbers.

At the start of the current month a new restaurant opened in Town C. The manager of Y Co's restaurant in Town C has expressed concerns about the impact this new competitor will have on their ability to achieve profit targets for the rest of the year.

Budgets for all of Y Co's restaurants are prepared by the head office. At the start of each year, restaurant managers are given an annual budget, which is split into months. At the end of each month, the manager receives a statement comparing actual monthly performance against budget.

The statement for the Town C restaurant for the most recent completed month is as follows:

	Actual	**Budget**	**Variance**
Number of customers	1,800	1,500	
	PKR	**PKR**	**PKR**
Revenue	87,300	75,000	12,300 F
Costs:			
Food and drink	26,100	22,500	3,600 A
Staff wages	38,250	31,500	6,750 A
Heat, light and power	8,100	7,500	600 A
Rent, rates and other overheads	12,600	12,000	600 A
Profit	**2,250**	**1,500**	**750 F**

Notes:

(1) Rent, rates and other overheads are apportioned to its restaurants by Y Co's head office, based on a fixed annual charge.

(2) All other budgeted costs are treated as variable costs, based on the expected number of customers.

Y Co currently adopts an incremental approach to budgeting, with the annual budget figures for each year being based on the previous year's figures. However, a new finance director has recently joined the company, and he has questioned whether this is suitable for all Y Co's restaurants.

The new finance director has also suggested that the company should adopt a more participative approach to budgeting.

Required:

(a) (i) Prepare a flexed budget for the Town C restaurant. **(6)**

(ii) With reference to your answer from part (i), explain the main weaknesses in the current monthly budget statements issued to the restaurants as a basis for managing performance. **(6)**

(b) Discuss whether an incremental approach to budgeting is appropriate for Y Co. **(8)**

Q. 8. BBB Ltd. is involved in a manufacturing business, it uses standard costing to evaluate its performance for every given period. In period A the management of the company is very disappointed in the performance of the company, they have hired a management accountant to help them better understand the actual picture of the business and make decisions.

Following is the budget control report shared with the consultant that is prepared by accounts assistant:

	Budgeted	**Actual**
Sale (units)	30,000	24,000
Revenue (PKR)	60,000	52,800
Direct material (PKR)	15,000	14,400
Fixed overheads (PKR)	10,000	10,300

Required:

(a) Calculate the following variances used flexed budgets (that is, considering actual activity level):

- **i. Total sales variance** **(3)**
- **ii. Total direct material variance** **(3)**
- **iii. Total fixed overheads variance** **(3)**

(b) The management has provided the following additional data to better understand the variances:

	Budgeted	**Actual**
Direct labor cost (PKR)	7,500	72,00
Labor hours	6,000	5,600

/

- **i. Calculate labor rate variance.** **(4)**
- **ii. Calculate labor efficiency variance.** **(4)**
- **iii. Explain why this segregation of total labor variance is important.** **(3)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2024 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT

ACCOUNTANCY AND AUDITING, PAPER-II

Roll Number

TIME ALLOWED: THREE HOURS	**(PART-I MCQs) MAXIMUM MARKS: 20**
PART-I (MCQs) : MAXIMUM 30 MINUTES	**(PART-II) MAXIMUM MARKS: 80**

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ■ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **Minor's income is clubbed to:**
   (A) Father's income (B) Mother's income
   (C) Father's or mother's income, whichever is greater (D) None of these
2. **From which head of income an assessee never incurs any loss?**
   (A) Property (B) Salary (C) Capital gain (D) None of these
3. **Commissioner of Income Tax is appointed by:**
   (A) FBR (B) Ministry of finance (C) Central govt. (D) None of these
4. **Capital assets include:**
   (A) Shares (B) Personal effects (C) Gold deposit bonds (D) None of these
5. **Highest Appellate authority in FBR is also known as:**
   (A) High court (B) Appellate tribunal (C) Supreme court (D) None of these
6. **Gratuity received by a govt. employee is:**
   (A) Fully exempted (B) Partly exempted (C) Fully taxable (D) None of these
7. **Which of the following statement is not true?**
   (A) Management fraud is more difficult to detect than employee fraud
   (B) Internal control system encourages the possibility of occurrence of employee fraud and management fraud
   (C) The auditor's responsibility for detection and prevention of errors and frauds is critical.
   (D) All of these
8. **Which of the following is not a limitation of audit as per AAS-4?**
   (A) Objectivity of auditor's judgment (B) Selective testing
   (C) Persuasiveness of evidence (D) None of these
9. **Professional skepticism requires that the auditor assume that management is:**
   (A) Reasonably honest (B) Neither honest nor dishonest (C) Not necessarily honest (D) None of these
10. **For which of the following, Audit is optional?**
    (A) Trusts. (B) Joint stock companies. (C) Proprietorship concern. (D) None of these
11. **When the markets required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:** (A) Premium (B) Discount (C) Par (D) None of these
12. **In conducting a vertical common-size analysis every balance sheet item is divided by __________ and every income statement is divided by __________.**
    (A) Its corresponding base year balance sheet item; its corresponding base year income statement item
    (B) Its corresponding base year income statement item; its corresponding base year balance sheet item
    (C) Net sales or revenues; total assets. (D) Total assets; net sales or revenues
13. **The firm of Sun and Moon purchased a share of Acme.com common stock exactly one year ago for $45. During the past year the common stock paid an annual dividend of $2.40. The firm sold the security today for $85. What is the rate of return the firm has earned?**
    (A) 5.3% (B) 88.9% (C) 94.2% (D) None of these
14. **Market interest rates and the prices of bonds in the secondary market.**
    (A) Generally move in opposite directions. (B) Generally move in the same direction.
    (C) Sometimes move in the same direction, sometimes in opposite directions. (D) None of these
15. **Which of the following best describes going-concern value?**
    (A) The price a security "ought to have" based on all factors bearing on valuation.
    (B) The amount a firm could be sold for as a continuing operating business.
    (C) The amount of money that could be realized if an asset or a group of assets is sold separately from its operating organization. (D) None of these
16. **The risk of material misstatement comprises:**
    (A) Inherent risk (B) Control risk (C) Both (A) & (B) (D) None of these
17. **Heads of income under the income tax ordinance 2001 are:**
    (A) Six (B) Five (C) Four (D) None of these

18. **Mr. Ahmed has a taxable income of PKR 1,200,000. If the exemption limit is PKR 600,000, what is the taxable amount, and how much tax does he owe at a rate of 25%_____?**
(A) Taxable amount: PKR 1,200,000; Tax: PKR 150,000 (B) Taxable amount: PKR 1,200,000; Tax: PKR 300,000
(C) Taxable amount: PKR 600,000; Tax: PKR 150,000 (D) None of these

19. **Which of the following set of ratios relates the market price of the firm's common stock to selected financial statement items?**
(A) Liquidity Ratios (B) Leverage Ratios (C) Market Value Ratios (D) None of these

20. **The DuPont Approach breaks down the earning power on shareholders' book value (ROE) as follows: ROE = __________.**
(A) Net profit margin × Total asset turnover × Equity multiplier
(B) Total asset turnover × Gross profit margin × Debt ratio
(C) Total asset turnover × Net profit margin (D) None of these

PART – II

NOTE:
- **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
- **(ii)** Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
- **(iii)** All the parts (if any) of each Question must be attempted at one place instead of at different places.
- **(iv)** Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
- **(v)** No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- **(vi)** Extra attempt of any question or any part of the question will not be considered.
- **(vii)** **Use of Calculator is allowed.**

SECTION – I (AUDITING)

Q. 2. What is meant by CAATs? Highlight benefits and procedures pertaining to usage of CAATs for financial statement audits of firms. **(20)**

Q. 3. Identify differences between vouching and verification. What are the points to be considered by an auditor during verification? **(20)**

Q. 4. What are the basic principles, which govern the auditor's professional responsibilities, and which should be complied with whenever an audit is carried out, as per AAS-1 **(20)**

SECTION – II (BUSINESS TAXATION)

Q. 5. Discuss the legal provisions regarding exemption of following under Income Tax Ordinance 2001. **(5 each) (20)**
- **(a)** Pension
- **(b)** Profit on debt
- **(c)** Medical charges
- **(d)** Agricultural Income

Q. 6. For the purposes of this question you should assume that today's date is 15 June 2018.
Naseer is 63 years old and is resident in Pakistan. He files his tax returns regularly. During the tax year 2018, he earned the following income:
(1) Salary income of Rs. 750,000 from his employment on a contract basis. From this amount, tax of Rs.14,500 was deducted at source.
(2) Net income of Rs. 200,000 from a solitary trading transaction.
(3) Gross dividend income of Rs. 450,000 from a company engaged in the production of sugar. Tax was deducted at source from this amount at the prescribed rate.
In addition to the above, Naseer's son, who is a taxpayer in Pakistan, gave Naseer a cash gift of Rs. 400,000 through a prescribed banking channel.
Required:
(a) Compute Naseer's tax liability for the tax year 2018, giving reasons for any reduction of tax liability on account of his age. **(10)**
(b) Explain, by giving reasons, why the gift received by Naseer from his son is not taxable. **(10)**

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. What are different forms of business entities? Highlight different features of a Corporation and its advantages over other organizational forms. **(20)**

Q. 8. Carbide Chemical Company is considering the replacement of two old machines with a new, more efficient machine. It has determined that the relevant after-tax incremental operating cash flows of this replacement proposal are as follows: **(20)**

END OF YEAR

0	−Rs.404,424
1	Rs.86,890
2	Rs.106,474
3	Rs. 91,612
4	Rs. 84,801
5	Rs. 84,801
6	Rs. 75,400
7	Rs. 66,000
8	Rs. 92,400

What is the project's net present value if the required rate of return is 14 percent? Is the project acceptable?

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2025 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

TIME ALLOWED: THREE HOURS	(PART-I MCQs) MAXIMUM MARKS: 20
PART-I (MCQs) : MAXIMUM 30 MINUTES	(PART-II) MAXIMUM MARKS: 80

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ■ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **In financial accounting, goodwill is classified as:**
(A) Tangible asset (B) Intangible asset (C) Current liability (D) Contra asset
2. **Which of the following statement about the accounting cycle is TRUE?**
(A) The cycle begins with financial statement preparation. (B) Adjusting entries are optional.
(C) Closing entries transfer balances from temporary accounts to retained earnings.
(D) The post-closing trial balance includes temporary accounts.
3. **The purpose of reversing entries is:**
(A) To correct errors in the trial balance (B) To simplify recording certain transactions in the next period
(C) To adjust financial statements (D) To close permanent accounts
4. **Accounting information is said to be relevant when it:**
(A) Is free from material error. (B) Influences the decision-making of users.
(C) Can be compared across entities. (D) Is supported by evidence from independent sources.
5. **The predictive value of accounting information refers to its ability to:**
(A) Validate past decisions. (B) Highlight errors in accounting practices
(C) Influence future investment decisions. (D) Support regulatory compliance.
6. **If two companies in the same industry use different depreciation methods, the comparability of their financial information may be compromised unless:**
(A) The companies belong to the same regulatory framework. (B) They operate in similar markets.
(C) The companies use IFRS standards. (D) Full disclosure of the methods is provided
7. **Which financial statement in a sole proprietorship reflects the owner's withdrawals for personal use?**
(A) Income Statement (B) Statement of Financial Position
(C) Statement of Cash Flows (D) Statement of Owner's Equity
8. **When a corporation issues shares above their par value, the excess amount is credited to:**
(A) Retained Earnings (B) Share Premium Account (C) Capital Account (D) Revenue Account
9. **A partnership decides to incorporate into a private company. What happens to the partners' equity accounts?**
(A) They are closed and converted into common stock. (B) They are retained in the company's balance sheet.
(C) They are written off as expenses. (D) They are transferred into the retained earnings account.
10. **Which of the following is a financial statement prepared specifically by not-for-profit organizations?**
(A) Statement of Comprehensive Income (B) Statement of Profit and Loss
(C) Receipts and Payments Account (D) Statement of Changes in Equity
11. **Which financial statement is unique to public sector accounting?**
(A) Statement of Financial Performance (B) Statement of Cash Flows
(C) Appropriation Account (D) Statement of Changes in Equity
12. **A not-for-profit organization's annual report emphasizes the use of funds to achieve its mission rather than profitability. This highlights:**
(A) Faithful representation in financial reporting. (B) The focus on accountability over profitability.
(C) Compliance with government regulations. (D) The reliance on accrual accounting.
13. **Which costing method is most suitable for industries where products are unique and produced to customer specifications?**
(A) Process costing (B) Activity-based costing (C) Job order costing (D) Marginal costing
14. **Marginal costing is primarily used for:**
(A) Financial reporting. (B) Decision-making related to fixed costs.
(C) Short-term decision-making. (D) Preparing budgets for external stakeholders.
15. **Over-applied overhead means:**
(A) Actual overheads are less than applied overheads. (B) Actual overheads are greater than applied overheads.
(C) Fixed costs were not allocated properly. (D) Direct labor costs were overstated.
16. **A manufacturing company is considering whether to produce in-house or outsource production. Relevant costs for this decision include:**
(A) Fixed costs of the company. (B) Historical costs of production.
(C) Direct variable costs and outsourcing costs. (D) Total costs incurred in the prior year.

17. **Zero-based budgeting (ZBB) requires managers to:**
(A) Justify only incremental changes in budgeted amounts. (B) Prepare budgets based on historical costs.
(C) Justify all budgeted expenditures from scratch. (D) Ignore past costs entirely.
18. **In responsibility accounting, costs that a manager can directly influence are called:**
(A) Uncontrollable costs. (B) Fixed costs. (C) Indirect costs. (D) Controllable costs
19. **A company has an annual fixed cost of $200,000/-, a variable cost of $20 per unit, and a selling price of $50 per unit. How many units must the company sell to break even?**
(A) 8,000 (B) 7,000 (C) 6,000 (D) 10,000
20. **In a sales mix decision, the product with the highest contribution margin per unit should be:**
(A) Sold exclusively, regardless of customer demand (B) Prioritized when resources are constrained
(C) Avoided to reduce risk. (D) Discounted to maximize revenue.

PART – II

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

SECTION – I

Q. 2. ABC Traders is a sole proprietorship owned by Mr. Ali. Below are the financial details of the business as of December 31, 2024:

i. Cash in hand: **PKR 50,000**
ii. Accounts Receivable: **PKR 80,000**
iii. Inventory: **PKR 120,000**
iv. Office Equipment (at cost): **PKR 200,000**.
v. Accumulated Depreciation on Office Equipment: **PKR 40,000**
vi. Accounts Payable: **PKR 60,000**
vii. Loan Payable to Bank: **PKR 100,000**
viii. Owner's Capital (as of January 1, 2024): **PKR 300,000**
ix. Owner's Drawings during the year: **PKR 30,000**
x. Net Income earned during the year: **PKR 90,000**

Required:
a) Categorize the above details under different heads of accounting equation. **5**
b) Prepare the balance sheet of ABC Traders as of December 31, 2024 using the information above. **15** **(20)**

Q. 3. Continued with the data provided in Question No 1, Additional Adjustments in the accounts of ABC Traders as of December 31, 2024 are as follow:

a) **Accrued Salaries** of **PKR 10,000** are unpaid and unrecorded.
b) **Office Equipment Depreciation**: Straight-line method over **5 years** with no residual value.
c) **Unearned Revenue** of **PKR 15,000** was incorrectly recorded as sales revenue.
d) **Supplies Expense** of **PKR 5,000** needs to be recorded for supplies used during the year.
e) **Accrued Interest** on the bank loan of **PKR 4,000** remains unpaid and unrecorded.

Required:

a) Prepare the necessary **adjusting journal entries** for the above adjustments. **6**
b) Prepare an **Income Statement** for the year ended **December 31, 2024.** **7**
c) Update the **Balance Sheet to** reflect these adjustments. **7** **(20)**

Q. 4. XYZ Corporation, a merchandising company, is preparing its financial records for the year ended December 31, 2024. Below are the extracted balances from the general ledger:

Balances of the Items	**Amount in PKR**
Cash:	70,000
Accounts Receivable:	200,000
Inventory (Beginning):	150,000
Purchases:	500,000
Purchase Returns and Allowances:	30,000
Sales Revenue:	900,000
Sales Returns and Allowances:	20,000
Office Supplies:	10,000
Prepaid Insurance:	24,000
Office Equipment:	300,000
Accumulated Depreciation - Office Equipment:	80,000
Accounts Payable:	90,000
Salaries Payable:	12,000
Bank Loan Payable (Non-Current):	150,000
Salaries Expense:	100,000
Utilities Expense:	45,000
Rent Expense:	60,000
Depreciation Expense:	30,000
Owner's Capital (January 1, 2024):	400,000
Owner's Drawings:	50,000

Additional Information for Adjustments

i. Inventory at the end of the year is **PKR 120,000**.
ii. Office supplies used during the year are **PKR 6,000**.
iii. Insurance expired during the year amounts to **PKR 8,000**.
iv. Accrued salaries at year-end are **PKR 15,000**.
v. Depreciation on office equipment is recorded using the straight-line method over 10 years (no residual value).

Required:

a) Prepare an unadjusted Trial Balance as of December 31, 2024. **10**
b) Incorporate the adjustments and prepare the adjusted Trial Balance. **10 (20)**

Q. 5. **Ali, Bilal, and Sara** formed a partnership business on **January 1, 2024**, under the name **ABS Traders**. The partners agreed to share profits and losses in the ratio **3:2:1** respectively. The following balances were provided at the end of the first year, **December 31, 2024**:

Particulars	**Amount (PKR)**
Cash	80,000
Accounts Receivable	150,000
Inventory	200,000
Furniture & Fixtures	100,000
Accounts Payable	90,000
Loan Payable	110,000
Ali's Capital (Jan 1, 2024)	200,000
Bilal's Capital (Jan 1, 2024)	150,000
Sara's Capital (Jan 1, 2024)	100,000
Ali's Drawings	30,000
Bilal's Drawings	20,000
Sara's Drawings	10,000
Net Income for the Year	120,000

Required:

i. Using the data provided, prepare an **unadjusted trial balance** as of **December 31, 2024**. 5

ii. Distribute the **Net Income of PKR 120,000** among the partners (Ali, Bilal, and Sara) based on their agreed profit-sharing ratio of **3:2:1**. 5

iii. Calculate the **adjusted capital balances** for each partner after considering their profit ratio. 5

iv. Prepare the **Capital Accounts** for Ali, Bilal, and Sara in a **T-account format** or in a statement form. 5 **(20)**

SECTION – II

Q. 6. ABC Manufacturing produces custom furniture. Below are the details for the month of November 2024:

Accounting Activities/Items	**Amounts in PKR**
Beginning Balances:	
Raw Materials Inventory (Nov 1, 2024):	120,000
Work-in-Process (WIP) Inventory (Nov 1, 2024):	80,000
Finished Goods Inventory (Nov 1, 2024):	150,000
Transactions During November:	
Raw materials purchased during November (paid in cash):	350,000
Direct materials issued to production:	280,000
Indirect materials issued:	50,000
Total direct labor incurred: (80% paid in cash; 20% accrued).	200,000
Total indirect labor incurred (paid in cash):	60,000
Total factory overhead incurred including: o Depreciation on machinery: PKR 70,000 o Utilities: PKR 50,000 o Other factory expenses: PKR 130,000	250,000
Manufacturing overhead applied to production at **120% of direct labor cost**.	
Ending Balances	
Raw Materials Inventory (Nov 30, 2024):	140,000
Work-in-Process (WIP) Inventory (Nov 30, 2024):	100,000
Finished Goods Inventory (Nov 30, 2024):	180,000
Sales Total finished goods transferred to Cost of Goods Sold:	650,000
Total sales for November (80% received in cash, 20% on account).	800,000

Required:

a) Prepare the Raw Materials Inventory T-account, including purchases, usage, and ending balance. 7

b) Calculate the total manufacturing costs added to production during November. 7

c) Prepare the **Work-in-Process Inventory T-account**, including beginning balance, costs added, and ending balance. 6 **(20)**

Q. 7. XYZ Furniture Ltd. manufactures wooden chairs. The following **standard costs** were established for producing one chair:

Cost Component	Standard Rate	Standard Quantity per Chair
Direct Materials	PKR 500 per unit	2 units
Direct Labor	PKR 300 per hour	4 hours
Factory Overhead	PKR 100 per direct labor hour	Applied at a rate of 50% of direct labor cost

During **November 2024**, the company produced **1,000 chairs**, and the following actual data was recorded:

i. **Materials**:
   a. 2,100 units of direct materials were purchased and used.
   b. Total cost of materials: PKR 1,120,000.

ii. **Labor**:
   a. 3,800 hours of direct labor were worked.
   b. Total labor cost: PKR 1,160,000.

iii. **Factory Overhead**:
   a. Actual overhead incurred: PKR 200,000.
   b. Overhead applied at the standard rate based on actual direct labor hours.

Required:

Calculate and interpret the results of:

i. the **Material Price Variance** and the **Material Quantity Variance**. **7**

ii. the **Labor Rate Variance** and the **Labor Efficiency Variance.** **7**

iii. the **Overhead Spending Variance** and the **Overhead Efficiency Variance.** **6** **(20)**

Q. 8. **ABC Café** operates a specialty coffee shop that sells handcrafted beverages and desserts. The café incurs a Total Fixed Costs: PKR 1,000,000 including monthly rent of PKR 500,000, salaries of PKR 300,000, Utilities and Miscellaneous Expenses of PKR 200,000. The owner wants to determine its break-even point to plan for future growth. The following data is provided:

Product Line Information

1. **Coffee Drinks (Regular)**	2. **Desserts (Premium)**
i. Selling Price: PKR 400 per cup ii. Variable Cost: PKR 180 per cup iii. Current Sales Mix: 70%	i. Selling Price: PKR 600 per item ii. Variable Cost: PKR 280 per item iii. Current Sales Mix: 30%

Required:

i. Calculate the **contribution margin** for both coffee drinks and desserts. **7**

ii. Compute the **weighted average contribution margin (WACM)** based on the sales mix. **7**

iii. Determine the **break-even sales in units** for the café. **6** **(20)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2025 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-II

Roll Number

TIME ALLOWED: THREE HOURS	**(PART-I MCQs) MAXIMUM MARKS: 20**
PART-I (MCQs) : MAXIMUM 30 MINUTES	**(PART-II) MAXIMUM MARKS: 80**

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ■ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **____________ is a systematic examination of the books and records of a business.**
(A) Auditing (B) Vouching (C) Verification (D) Checking
2. **An auditor is like a:**
(A) Blood hound (B) Watch dog (C) May both (A) & (B) according to situation (D) None of these
3. **The fundamental objective of the audit of a company is to:**
(A) Protect the interests of the minority shareholders (B) Detect and prevent errors and fraud
(C) Assess the effectiveness of the company's performance (D) Attest to the credibility of the company's accounts
4. **Internal check is carried on by:**
(A) Staff specially appointed for the purpose (B) Internal auditor
(C) Supervisor of the staff (D) Members of the staff
5. **When issuing unqualified opinion, the auditor who evaluates the audit findings should be satisfied that the:**
(A) Amount of known misstatement is documented in working papers
(B) Estimates of the total likely misstatement is less than materiality level
(C) Estimates of the total likely misstatement is more than materiality level
(D) Estimates of the total likely misstatement cannot be made
6. **An auditor should not accept a loan on favourable commercial terms from an audit client because of the threat to his or her independence. The threat would be a:**
(A) Self-interest threat (B) Self-review threat (C) Advocacy threat (D) Familiarity threat
7. **Which of the following statements is, generally, correct about the reliability of audit evidence?**
(A) To be reliable, evidence should conclusive rather than persuasive
(B) Effective internal control system provides reliable audit evidence
(C) Evidence obtained from outside sources routed through the client (D) All of these
8. **The authority to remove the first auditor before the expiry of term is with:**
(A) The shareholders in a general meeting (B) The shareholders in the first annual general meeting
(C) The Board of Directors (D) The Central Government
9. **A progressive tax system is one where?**
(A) Marginal tax rates are high
(B) Higher income taxpayers pay more taxes than do lower income taxpayers.
(C) Marginal tax rates are low.
(D) Higher income taxpayers pay a greater percentage of their income in taxes than do lower income taxpayers.
10. **If a tax on a good is doubled, the deadweight loss from the tax:**
(A) Doubles (B) Stays the same (C) Increase by a factor of four. (D) Could rise or fall
11. **When tax on a good start small and is gradually increased, tax revenue:**
(A) Will fall (B) Will rise (C) Will first rise and then fall (D) Will first fall and then rise
12. **In normal circumstance, taxes are charged on:**
(A) Gross Receipt (B) Total Income (C) Taxable Income (D) Gross Income
13. **Which of the following is the main tool of Fiscal Policy?**
(A) Deficit Financing (B) Subsidies (C) Transfer Payments (D) Taxes
14. **Taxes are important instrument of which of the following policy?**
(A) Monetary Policy (B) Fiscal Policy (C) Trade Policy (D) Economic Policy
15. **Which of the following enjoys limited liability?**
(A) A general partnership. (B) A corporation. (C) A sole proprietorship. (D) None of these
16. **A project's profitability index is equal to the ratio of a project's future cash flows to the project's:**
(A) Present value; initial cash outlay (B) Net present value; initial cash outlay
(C) Present value; depreciable basis (D) Net present value; depreciable basis
17. **The discount rate at which two projects have identical_________ is referred to as Fisher's rate of intersection.**
(A) Present values (B) Net present values (C) IRRs (D) Profitability indexes
18. **You are considering investing in a zero-coupon bond that sells for $250. At maturity in 16 years, it will be redeemed for $1,000. What approximate annual rate of growth does this represent?**
(A) 8 percent. (B) 9 percent. (C) 12 percent. (D) 25 percent

19. When the market's required rate of return for a particular bond is much less than its coupon rate, the bond is selling at:
(A) A premium (B) A discount (C) Cannot be determined without more information (D) Face value

20. The trade terms "2/15, net 30" indicates that:
(A) A 2% discount is offered if payment is made within 15 days.
(B) A 15% discount is offered if payment is made within 30 days.
(C) A 2% discount is offered if payment is made within 30 days.
(D) A 30% discount is offered if payment is made within 15 days.

PART – II

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

SECTION – I (AUDITING)

Q. 2. What are the different types of financial audit? Discuss the situations where each type of audit is applicable. **(20)**

Q. 3. What are the audit working papers? Why should these be carefully preserved by the auditor? **(20)**

Q. 4. Differentiate between the following audit terms: **(5 each)** **(20)**

a. Internal audit and external audit
b. Vouching and Verification
c. Qualified audit report and Unqualified audit report
d. Disclaimer of opinion and Adverse opinion

SECTION – II (BUSINESS TAXATION)

Q. 5. **Mr. Usman Kabir is a registered manufacturer. From the following data, compute the sales tax payable for august 2021** **(20)**

1.	Taxable supplies at 15% discount (discount is not the normal practice)	2,300,000
2.	Taxable supplies to associated person (open market price 350,000)	300,000
3.	Supplies to consumers (inclusive of sales tax)	200,000
4.	Supplies to employees	100,000
5.	Taxable purchases from registered person (original invoices are available	1,400,000
6.	Input tax not claimed (outstanding) in relevant period (claimed in fifth succeeding period)	15,000
7.	Fixed asset purchased during August 2021 from non-registered person	1,500,000
8.	Furniture, furnishing and office equipments purchased	200,000
9.	Electrical appliance purchased from non-business (personal) use	100,000
10.	Purchase of diaries for valued customers (at the start of new financial year)	60,000
11.	Withholding tax deducted as withholding agent	50,000
12.	Withholding tax deducted by withholding agent	70,000
13.	Mobile phone set purchased by marketing staff	150,000
14.	Goods purchased in auction (treasury challan is not available)	400,000
15.	Unconsumed stock at the time of filing return (purchased 30 days before filing return)	250,000
16.	Imported tax goods (bill of entry is not available)	500,000
17.	Sales tax paid on electricity bill	30,000

Q. 6. What are the inadmissible deductions under the head of "Income from Other Resources"? Explain in detail. **(20)**

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. Why are financial markets important to the health of the economy? Explain in the context of Pakistan. **(20)**

Q. 8. **(a).** ABC is evaluating a capital investment project. The after-tax cash flows for the project are listed as follows: **(10)**

Year	YEAR EXPECTED CASH FLOW
0	- 400,000
1	50,000
2	50,000
3	150,000
4	350,000

The risk-free rate is 8 percent, the firm's weighted average cost of capital is 10 percent, and the management-determined risk-adjusted discount rate appropriate to this project is 15 percent. Should the project be accepted? Explain, why or why not?

(b). Explain what is meant by the time value of money. Why is a bird in the hand worth two (or so) in the bush? Which capital budgeting approach ignores this concept? Is it optimal? **(10)**

****

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2026 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

TIME ALLOWED: THREE HOURS	**(PART-I MCQs) MAXIMUM MARKS: 20**
PART-I (MCQs) : MAXIMUM 30 MINUTES	**(PART-II) MAXIMUM MARKS: 80**

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ▪ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **Assume a company has a Rs.350 credit (not cash) sale. How would the transaction appear if the business uses accrual accounting?**
(A) Rs.350 would show up on the balance sheet as a sale.
(B) Rs.350 would show up on the income statement as a sale.
(C) Rs.350 would show up on the statement of cash flows as a cash outflow.
(D) The transaction would not be reported because the cash was not exchanged.
2. **Which of the following is an example of capital expenditure?**
(A) Paying for refurbishment as part of upgrading a building
(B) Paying carriage outwards in respect of selling goods
(C) Paying legal fees in order to recover customer debts (D) Paying bonuses to production operatives
3. **Mahnoor invests her car into her business. Which parts of the business' accounting equation will change?**
(A) Capital and liabilities (B) Capital and profit (C) Liabilities and assets (D) Assets and capital
4. **Which of the following errors would be found by extracting a trial balance?**
(A) A transaction has been completely missed in the accounts
(B) The double entries have been made the wrong way round
(C) Different figures have been entered for the debit and credit entries
(D) An expense item has been posted to a non-current asset account.
5. **Working capital is an indication of the firm's ________.**
(A) Asset utilization (B) Amount of noncurrent liabilities (C) Amount of noncurrent assets (D) liquidity
6. **Which of the following principles matches expenses with associated revenues in the period in which the revenues were generated?**
(A) revenue recognition principle (B) Matching principle (C) cost principle (D) full disclosure principle
7. **If the existing current ratio of a company is more than 1, what would be the impact of a credit purchase of inventory on the current ratio?**
(A) Current ratio would increase (B) Current ratio would decrease
(C) Current ratio would decrease but would remain higher than 1 (D) Current ratio would remain same
8. **Which financial statement represents the accounting equation?**
(A) Income Statement (B) Statement of Cash Flows
(C) Balance Sheet (D) Statement of Changes in equity
9. **The original cost of the machine is Rs.19,00,000; machine installation charges are Rs.1,00,000; working life of the machine is 5 years and residual value is Rs. 40,000. If the depreciation is charged on Straight Line basis then 4th year's depreciation will be:**
(A) 372,000 (B) 400000 (C) 392000 (D) 352000
10. **Amount set apart to meet loss due to bad debt is a:**
(A) Provision (B) Appropriation (C) Reserve (D) Commission
11. **House Building advance of Rs.2 Million paid to employees. It is a**:
(A) Asset (B) Revenue Expenditure (C) Capital Expenditure (D) Deferred Revenue Expenditure
12. **Prime cost may be correctly termed as:**
(A) The total of all cost items which can be directly charged to product units.
(B) The sums of all direct materials and labor cost excluding all other cost.
(C) The total costs incurred in producing a finished unit. (D) The sum of the large cost in product cost.
13. **The costs are differentiated between fixed and variable costs under:**
(A) Absorption Costing (B) Direct Costing (C) Standard Costing (D) Marginal Costing
14. **From the following information, find out purchases when raw material consumed is Rs.26,500; Closing stock Rs. 4500 and opening stock Rs.3,000.**
(A) Rs.26500 (B) Rs.25000 (C) Rs.28000 (D) Rs.34000

15. **If an adjustment includes an entry to Accumulated Depreciation, which type of adjustment is it?**
(A) accrual (B) deferral (C) estimate (D) cull
16. **A company's statement of profit or loss for the year ended 31 December 2025 showed a net profit of Rs.83,600. It was later found that Rs.18,000 paid for the purchase of a motor van had been debited to the motor expenses account. It is the company's policy to depreciate motor vans at 25% per year on the straight line basis, with a full year's charge in the year of acquisition. What would the net profit be after adjusting for this error?**
(A) Rs.106,100 (B) Rs.70,100 (C) Rs.97,100 (D) Rs.101,600
17. **At 30 June 2025 a company's allowance for receivables was Rs.39,000. At 30 June 2026 trade receivables are Rs.517,000. It was decided to write off debts Rs.37,000 and to adjust the allowance for receivables to the equivalent of 5% of the trade receivables based on past events. What figure should appear in the statement of profit or loss for the year ended 30 June 2026 for receivables expense?**
(A) Rs.61,000 (B) Rs.52,000 (C) Rs.22,000 (D) Rs.37,000
18. **Nishat Textiles computed the following items from its financial records for the current year: Current ratio = 2 to 1; Average age of inventory = 60 days; Average collection period = 30 days; Average payable period = 40 days. The number of days in Nishat Textile's cash conversion cycle for the current year was:**
(A) 50. (B) 90. (C) 78. (D) 42.
19. **Ideally, which of these ratios will indicate the highest return for a levered firm?**
(A) Return on assets (B) Return on invested Capital
(C) Return on Capital Employed (D) Return on common equity
20. **Given a quick (acid-test) ratio of 2.0, current assets of Rs.5,000, inventory of Rs.2,000, prepaid expense = 0, the value of current liabilities is:**
(A) Rs.1,500 (B) Rs.2,500 (C) Rs.3,500 (D) Rs.6,000

PART – II

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

SECTION – I

Q. 2. Shakeel formed a business entity to provide bus service for a fee to public and private schools in the Walnut Creek area. The business is organized as a sole proprietorship, called Walnut Creek Transportation Services. The transactions during July, while the new business was being organized, are listed below.
July 1, Shakeel opened a bank account in the name of the business with a deposit of Rs.225,000 cash.

July 3 The new company purchased land and a building at a cost of Rs.120,000, of which Rs.72,000 was regarded as applicable to the land and Rs.48,000 to the building. The transaction involved a cash payment of Rs.30,000 and the issuance of a note payable for the balance of the purchase price.

July 5 Purchased 9 new buses at Rs.27,000 each from Fleet Sales Company. Paid Rs.76,500 cash, and agreed to pay Rs.80,000 by July 31 and the remaining balance by August 15. The liability is viewed as an accounts payable.

July 7 Sold one of the buses at cost to Young Camping Services. The buyer paid Rs.15,000 in cash and agreed to pay the balance within 30 days.

July 8 Upon inspection, one of the buses was found to be defective and was returned to Fleet Sales Company. The amount payable to this creditor was thereby reduced by Rs.27,000.

July 20 Purchased office equipment at a cost of $2,400 cash.

July 31 Issued a check for Rs.80,000 in partial payment of the liability to Fleet Sales Company.
Required
a. Journalize the July transactions. **8**
b. Post to ledger accounts. **6**
c. Prepare a trial balance at July 31, 2025 **6** **(20)**

Q. 3. On April 1, 1997, Hamid Hassan, an attorney, opened her own legal practice, to be known as the Law Office of Hamid Hassan. The business adjusts its accounts at the end of each month. The following trial balance was prepared at April 30, 2025, after one month of operations:

LAW OFFICE OF HAMID HASSAN
Trial Balance April 30, 2025

	Dr	Cr
Cash	Rs. 10060	
Legal Fee Receivable	0	
Unexpired Insurance	3000	
Prepaid office rent	4800	
Office supplies	1460	
Office Equipment	26400	
Accumulated Dep-Office Equipment		0
Notes Payable		16000
Interest Payable		0
Salaries Payable		0
Unearned fee		16020
Hamid Hassan's Capital		20000
Hamid Hasan's Drawing	4000	
Legal Fee Earned		1580
Salaries Expense	2680	
Misc Expenses	1200	
Office Rent expense	0	
Office Supplies Expense	0	
Depreciation Expense-Office Equipment	0	
Interest Expense	0	
Insurance Expense	0	
	Rs.53600	**Rs.53600**

Other Information

i. No interest has yet been paid on the note payable. Accrued interest at April 30 amounts to Rs.180.
ii. Salaries earned by the office staff but not yet recorded or paid amounted to Rs.3,470 at April 30.
iii. Many clients are asked to make an advance payment for the legal services to be rendered in future months. These advance payments are credited to the Unearned Retainer Fees account. During April, Rs.7,700 of these advances were earned by the business.
iv. Some clients are not billed until all services relating to their matter have been rendered. As of April 30, services priced at Rs.4,780 had been rendered to these clients but had not yet been recorded in the accounting records.
v. A professional liability insurance policy was purchased on April 1. The premium of Rs.3,000 for the first six months was paid and recorded as Unexpired Insurance.
vi. The business rents an office at a monthly rate of Rs.1,600. On April 1, three months' rent was paid in advance and charged to the Prepaid Office Rent account.
vii. Office supplies on hand at April 30 amounted to Rs.1,100.
viii. The office equipment was purchased on April 1 and is being depreciated over an estimated useful life of 10 years.

Required

a) Prepare the adjusting entries required at April 30. **10**
b) Determine the amount of net income to be reported in the company's income statement for the month ended April 30, 2025. **10 (20)**

Q. 4. **(a)** June 2025 of Hassan Traders, following errors were highlighted. You are required to prepare journal entries to correct the below errors. **10**

(i) Sales included an outstanding balance of Rs. 500,000 for which a customer would need to pay Rs. 485,000 only if payment is made within 30 days. The customer is expected to pay within 30 days.
(ii) An item was included in closing inventory at its net realizable value of Rs. 490,000. However, the item had a cost of Rs. 450,000.
Periodic inventory method is used to record the inventory transactions

(iii) A sub-total of Rs. 234,000 was carried forward in the purchase day book as Rs. 432,000. Control accounts are not maintained for Debtors and Creditors.

(iv) A credit note issued to a customer of Rs. 128,000 was recorded as credit note received from supplier.

(v) An office machine costing Rs. 3,540,000 with a carrying value of Rs. 2,040,000 as on 1 July 2021 was disposed off on 28 February 2022 for Rs. 1,860,000. The sale proceeds were credited to accumulated depreciation account and full year's depreciation was provided on the machine. Office machines are depreciated at 10% per annum using reducing balance method.

(b) Compare and contrast the "Incurred Loss Model" (IAS 39) with the "Expected Credit Loss (ECL) Model" (IFRS 9). Why was the shift to the ECL model considered necessary by standard setters following the 2008 financial crisis? **10** **(20)**

Q. 5. **(a)** Explain how a cash flow statement can reveal earnings quality and liquidity risk. Identify at least four diagnostic indicators from cash flows that analysts monitor and what each may imply. **12**

(b) Following is the statement of financial position of Qasim Limited (QL) as at 30 June 2025: **8** **(20)**

	2025	**2024**		**2025**	**2024**
Share capital	Rs.480 M	Rs.400 M	Land and building	Rs.748 M	Rs.526 M
Revaluation surplus	135	-	Vehicles	118	96
Retained earnings	337	325	Inventories	365	444
Long-term loan	335	460	A/C receivables	212	185
A/C payables	160	142	Cash and bank	73	111
Advance from customers	69	35			
	1,516 M	***1,362 M***		***1,516 M***	***1,362 M***

Additional information:

i. During the year, land and building were revalued for the first time, resulting in a surplus of Rs. 150 million and incremental depreciation of Rs. 15 million.

ii. Depreciation on building charged to profit or loss amounted to Rs. 72 million.

iii. During the year, vehicles having book value of Rs. 8 million were sold for Rs. 11 million received in cash. Further, sale proceeds of Rs. 6 million of another vehicle (book value Rs. 7 million) disposed off in May 2024 were received in August 2024.

iv. Vehicles costing Rs. 51 million were purchased during the year of which Rs. 12 million is still unpaid.

v. Inventories as at June30, 2025 included work in process inventories of Rs. 96 million (2024: Rs. 80 million) which are not available for sale.

vi. Interest on loan for the year amounted to Rs. 48 million of which Rs. 14 million was capitalized in the cost of a building constructed during the year.

Required:

Prepare QL's statement of cash flows for the year ended 30 June 2025.

SECTION – II

Q. 6. National Limited is engaged in the production of a single product Lunar-1 and uses standard absorption costing system. NL has total production capacity of 6,250 units per month whereas it operates at a normal capacity of 80%. Following information pertains to the month of August 2025: **(20)**

Standard cost card per unit:

	Amount
Direct material (8 kg at Rs. 30 per kg)	240
Direct labor (6 hours at Rs. 25 per hour)	150
Overheads (Rs. 20 per labour hour)	120

Sales and production data:

Budgeted selling price per unit	Rs.700
Budgeted sales	4000 Units
Actual sales	5200 Units
Actual production	5400 Units

Additional information:

i. There was no inventory at the beginning of the month.

ii. 50,000 kg direct material was purchased in bulk in order to avail discount of Rs. 150,000.

iii. Actual material loss was 10% as against the budgeted loss of 6%.

iv. Workers' wages were increased by 10% effective from 1 August 2025 due to prevailing high inflation. This increased workers' efficiency by 5% as compared to the budget.

v. Actual overheads (both fixed and variable) amounted to Rs.720,000. Fixed overheads were over absorbed by Rs. 30,000.

Required

Compute the following variances for the month of August 2025:

a. Sales volume variance
b. Material price and usage variances
c. Labor rate and efficiency variances
d. Fixed overhead expenditure variance
e. Variable overhead expenditure and efficiency variances

Q. 7. **(a)** There are two plants manufacturing the same products under one corporate management which decides to merge them. Following particulars are available regarding the two plants: **10**

	Plant I	Plant II
Capacity operation	100%	60%
Sales in Rs	60000	24000
Variable costs in Rs	44000	18000
Fixed costs `	8000	4000

You are required to calculate for the consideration of the Board of directors:

i. What would be the capacity of merged plant to be operated for purpose of break-even?
ii. What would be the profitability on working at 75 per cent of the merged capacity?

(b) Target Costing reverses the traditional pricing equation. Explain the process of Target Costing. How does this approach encourage "Value Engineering" and cost reduction during the design phase rather than the production phase? **10** **(20)**

Q. 8. Jaleel Limited (JL) is engaged in the production of three products J1, J2 and J3 which it sells in the local market. Presently, JL's manufacturing plant is operating at 80% of its capacity. Following information has been extracted from JL's records for the year ended 31 August 2025: **(20)**

	J1	**J2**	**J3**
Production/sales (units)	3,500	6,000	7,000
Machine hours per unit (hours)	8	5	6
Selling price per unit in Rs.	6,200	5,000	7,000
Variable cost per unit in Rs.			
Direct material	900	600	1,000
Direct labour	800	750	1400
Variable overheads	600	700	600
Fixed overheads	8250000		

In order to enter into the international market, on 1 August, 2025, JL hires the services of an export house to market its products, at a monthly payment of Rs. 100,000. JL resultantly receives first export order from a USA based company, Asteroid Limited. Details of the export order are as follows:

Product	**Units**	**Selling price per unit in Rs.**
J1	1500	6,500
J2	2000	5500
J3	1500	7500

It is estimated that due to additional packaging, the direct material cost will increase by 10% and due to quality control, other variable overheads will increase by 15%.

A toll manufacturer offers JL to produce J1, J2 and J3 at Rs. 1,800, Rs. 1,600 and Rs. 2,500 respectively subject to provision of material by JL.

The management has decided to produce local orders on priority.

Required:

Prepare a product wise plan for in-house production and outsourcing to maximize JL's profitability for the upcoming year.

****

Roll Number

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION-2026 FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: THREE HOURS	(PART-I MCQs) MAXIMUM MARKS: 20
PART-I (MCQs) : MAXIMUM 30 MINUTES	(PART-II) MAXIMUM MARKS: 80

NOTE: (i) First attempt **PART-I (MCQs)** on separate **OMR Answer Sheet** which shall be taken back after **30 minutes.**
(ii) Overwriting/cutting of the options/answers will not be given credit.
(iii) There is **no negative** marking. All MCQs must be attempted.

PART-I (MCQs)(COMPULSORY)

Q.1. (i) Select the best option/answer and fill in the appropriate Box ■ on the **OMR Answer Sheet. (20x1=20)**
(ii) Answers given anywhere else, other than OMR Answer Sheet, will not be considered.

1. **Management provides detailed explanations for unusually high year-end sales, supported by invoices but not matched by dispatch records. What should the auditor focus on first?**
(A) Customer creditworthiness (B) Cutoff testing for revenue
(C) Review of sales incentives policy (D) None of these
2. **A company uses strong automated controls but bypasses them during system updates, relying solely on manual approvals. The greatest risk arises from:**
(A) Unauthorized transactions (B) Data redundancy (C) Excessive documentation (D) None of these
3. **A taxpayer depreciates machinery at accelerated rates while claiming repairs as revenue expenses. The tax officer should assess whether:**
(A) The business qualifies for minimum tax (B) Expenses result in double deductions
(C) Depreciation exceeds threshold limits (D) None of these
4. **A trader claims full input tax despite selling a portion of goods at exempt rates. The auditor's primary adjustment should consider:**
(A) No adjustment required (B) Increase in output tax rate
(C) Reduction in withholding tax credit (D) Reversal of input tax on exempt supplies
5. **A firm's WACC decreases despite rising interest rates in the economy. This is most likely due to:**
(A) Increase in risk-free rate (B) Reduction in business risk premium
(C) Higher tax shield from debt (D) None of these
6. **Project A has a higher IRR but lower NPV than Project B. The firm should choose B because:**
(A) IRR assumes inconsistent cash flows (B) NPV reflects actual value creation
(C) IRR ignores discounting (D) None of these
7. **A company decentralizes operations but keeps financial decisions centralized. The resulting issue is most likely:**
(A) Loss of strategic vision (B) Delayed operational decisions
(C) Imbalanced authority-responsibility structure (D) None of these
8. **A client's gross profit margin rises sharply while purchase prices remain unchanged. The most plausible audit concern is:** (A) Capitalization of routine expenses (B) Overstatement of cost of goods sold
(C) Overstatement of sales tax refunds (D) Understatement of cost of goods sold
9. **A company pays commission to agents but books it as "marketing support." The primary tax risk is:**
(A) Misclassification of final tax (B) Avoidance of withholding liability
(C) Incorrect sales tax input claim (D) None of these
10. **A portfolio's beta decreases after diversification, but its standard deviation does not fall significantly. This suggests:**
(A) Systematic risk eliminated (B) Market risk increased
(C) Unsystematic risk already minimized (D) None of these
11. **A multinational transitions to an ERP, but legacy modules still process adjustments during peak periods. Audit logs show inconsistent user IDs creating overrides, some from unusual IP ranges. Which risk dominates?**
(A) Weak automated validation (B) Detection risk
(C) Fraud risk from unauthorized access (D) None of these
12. **A client with declining cash flows capitalizes development costs aggressively while lenders tighten covenants. Best audit response?**
(A) Perform sensitivity analysis on assumptions (B) Increase sampling on inventory
(C) Recalculate depreciation (D) None of these
13. **A consultant spends 160 days in Pakistan but earns foreign income routed through a Pakistani bank. He claims non-resident status. Core issue:**
(A) Whether foreign income is Pakistan-source (B) Whether physical presence triggers residency
(C) Whether treaties override local rules (D) None of these

14. **A textile firm records luxury travel for foreign buyers as "entertainment." The officer must assess whether:**
    (A) Section 21 disallows it (B) Depreciation must be recalculated
    (C) Minimum tax applies instead (D) None of these
15. **A manufacturer sells partly to wholesalers and partly to unregistered retailers. CNIC reporting mismatches cause discrepancies. Key concern:**
    (A) Incorrect apportionment of input tax (B) Ineligible zero-rated claim
    (C) Excess customs drawback refund (D) None of these
16. **A firm with volatile EBIT uses high leverage assuming tax deductibility offsets risk. Falling margins expose fixed interest burdens. Error relates to:**
    (A) Pecking Order Theory (B) Overestimating risk tolerance
    (C) Misreading MM tax shield (D) None of these
17. **A long-term project has low early inflows but a huge terminal value. Management selects a low discount rate to approve it. Flaw:**
    (A) Ignoring inflation (B) Understating risk-adjusted discount rate
    (C) Treating cost of capital as payback (D) None of these
18. **Payroll testing reveals identical salaries for sequential employee IDs created within days. HR calls them seasonal workers. Auditor should consider:**
    (A) Labor hour analytics (B) Potential payroll fraud (C) Gratuity confirmation (D) None of these
19. **A construction firm subcontracts work involving the supply of material and specialized installation service, treating the entire payment as subject to Final Tax (FTR) under Section 153. The tax officer's primary task is to assess:**
    (A) Whether the payment for services must be separated from the payment for supply to apply the correct withholding tax rate and determine the final tax status.
    (B) Whether the subcontractor is eligible for a tax credit under Section 62.
    (C) Whether the construction business is eligible for the minimum tax on turnover under Section 113.
    (D) None of these
20. **Management changes costing assumptions mid-year without documentation, affecting product-level margins unevenly. Which assertion is MOST at risk?**
    (A) Rights & obligations (B) Completeness (C) Both (A) & (B) (D) Accuracy / valuation

PART – II

NOTE: **(i)** **Part-II** is to be attempted on the separate **Answer Book.**
(ii) Attempt **ONLY FOUR** questions from **PART-II** by selecting at least **ONE** question from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.
(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.
(iv) Write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.
(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
(vi) Extra attempt of any question or any part of the question will not be considered.
(vii) **Use of Calculator is allowed.**

SECTION – I (AUDITING)

Q. 2. Explain how the concept of true and fair view guides an auditor when management adopts accounting estimates that are technically permissible under IFRS but appear overly optimistic in light of industry conditions. Support your answer with examples and references to International Federation of Accountants (IFAC) guidelines. **(20)**

Q. 3. "Audit risk is not merely a computation; it is a judgment." **(20)**
Discuss this statement in the context of inherent risk, control risk, and detection risk, with particular reference to computerized (EDP) environments.

Q. 4. Provide a critical distinction between the following audit concepts: **(20)**
a. Reasonable assurance and absolute assurance
b. Tests of control and substantive procedures
c. Misstatement and material misstatement
d. Management's responsibility and auditor's responsibility under the Companies Ordinance 1984

SECTION – II (BUSINESS TAXATION)

Q. 5. Ms. Sana, an individual taxpayer, has provided the following data for the Tax Year 2024. Analyze her income components and determine her net tax position under the Income Tax Ordinance, 2001.

Particulars	PKR
A. Salary income (gross)	1,800,000
B. House rent allowance (40% of basic salary)	
C. Net Income from property	450,000
D. Capital gain on listed securities (held for 14 months)	120,000
E. Profit on debt (from a bank deposit)	90,000
F. Donation to an approved NPO (eligible for tax credit)	60,000
G. Business loss carried forward from prior year	80,000
H. Advance tax paid	35,000
I. Tax already withheld on profit on debt	10,000

(a) Analytical Tax Treatment and Regime Justification. Critically analyse the tax regime (NTR, FTR, or SBI) applicable to Capital Gain (D) and Profit on Debt (E). Justify the inclusion of Income from Property (C) in the Normal Tax Regime (NTR) and explain the policy objective behind providing a tax credit for Donation (F). **(10)**

(b) Computation and Final Tax Position

I. Compute Ms. Sana's Total Taxable Income under the NTR. **(10)**

II. Compute her Final Tax Liability (including tax on FTR/SBI items, if any).

III. Determine the Net Tax Payable/Refundable amount.

Show all workings clearly, referencing the applicable tax status for each major component.

Q. 6. Using the Income Tax Ordinance, explain the income tax implications of the following independent scenarios: **(20)**

a. A Pakistani resident receives consultancy fees from foreign clients, deposited in a foreign bank account.
b. A company pays "marketing facilitation charges" to agents but does not withhold tax.
c. A taxpayer records a gain on disposal of machinery but treats it as capital gain instead of business income.
d. An individual receives unexplained credits in his bank account and claims they represent informal loans.
e. An AOP claims tax credit on investments despite negative taxable income.

For each case, classify income, apply relevant rules, and provide the correct tax treatment.

SECTION – III (BUSINESS STUDIES AND FINANCE)

Q. 7. "Financial markets are the backbone of a modern economy." Discuss this statement in the context of Pakistan with reference to the money market, capital market, and financial institutions. **(20)**

Q. 8. **(a)** A firm is analysing the following mutually exclusive projects. The cost of capital is 12%, but management requires a risk-adjusted discount rate of 18% for volatile projects. **(10)**

Year	Project X	Project Y
0	–600,000	–600,000
1	160,000	200,000
2	180,000	150,000
3	220,000	170,000
4	350,000	300,000

Required:

i. Compute NPV of both projects at 18%.

ii. Recommend which project to choose under:

- Value maximization
- Risk minimization
- Cash flow stability

Explain clearly with reference to financial management principles.

(b) Critically evaluate the limitations of IRR, Payback Period, and Accounting Rate of Return as capital budgeting tools. **(10)**

Explain how NPV addresses these limitations and why it is considered the superior method for investment decisions.

****