

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) 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 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)

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ACCOUNTANCY & AUDITING, PAPER-II

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.

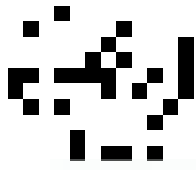
SECTION – III (BUSINESS STUDIES AND FINANCE)

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)

	<u>Project M</u>	<u>Project N</u>
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)



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ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

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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	<u>220</u>	<u>200</u>
	920	800
Dividend	<u>(100)</u>	<u>(100)</u>
Closing	820	700
Other data		
Number of Shares (in '000s)	60	60

ACCOUNTANCY AND AUDITING, PAPER-I

Required:

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

- Earnings per share (EPS)
- Return on closing equity (ROE)
- Book value per share (BV)

(5)

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

(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)

ACCOUNTANCY AND AUDITING, PAPER-I

(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 1 st January	150,000
Purchases	2,020,000	Finished Goods 1 st January	700,000
Tools Expenses	45,000	Indirect Labour	50,000
Depreciation of Plant	45,000	Power, Heat & Light	30,000
Work in process 1 st January	300,000	Finished Goods 31 st December	605,000
Purchase Retunes	20,000	Depreciation of machinery	60,000
Fire Insurance	8,000	Raw Material 31 st December	290,000
Direct Labour	590,000	Work in Process 31 st 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:

- Break Even point (both in units and value) (2)
- 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)
- A profit target of Rs. 400,000 has been desired for the next year. (4) (10) (20)
Calculate the turnover required to achieve the desired result.

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
<u>Paid-up-Capital</u>		Accounts Receivable	Rs. 10,000
3,000 ordinary shares of Rs. 10 each	Rs. 30,000	Materials	Rs. 4,000
Retained Earnings	Rs. 10,000	Work in Process	Rs. 2,000
		Finished Goods	Rs. 6,000
		Prepaid expenses	Rs. 500
		Fixed Assets(net)	Rs. 30,000
	<u>Rs. 57,500</u>		<u>Rs. 57,500</u>

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:

- An Income statement for 2022, along with the details of Cost of goods manufactured and sold (10)
- A balance Sheet as on 31st December 2022. (10) (20)

ACCOUNTANCY AND AUDITING, PAPER-I

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:

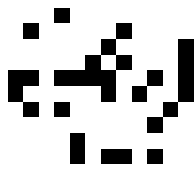
Components	Output (In Units)	Standard Minutes for each unit
Eucalyptus oil	888	30
Hexachlorobenzen	1800	54
Toxaphene	960	66

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 (20) and incentive amount as separate totals for each grade of labor.



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ACCOUNTANCY AND AUDITING, PAPER-II

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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.

- Which of the following is the part of audit?**
(A) Internal control system (B) Internal audit (C) External audit (D) All of these
- External auditor of any public limited company in Pakistan is considered as:**
(A) An employee of the company (B) An executive director (C) An elected director (D) None of these
- CAAT stands for:**
(A) Computer assisted Audit Techniques (B) Chartered Accountant Association for Trans nations
(C) Computerized Accounting and Audit Techniques (D) None of these
- General Auditing Principles and Techniques commonly applicable to the various types of undertakings including:**
(A) Merchandising (B) Manufacturing (C) Insurance (D) All of these
- Currently Joint Stock Companies are created/formed in Pakistan according to the:**
(A) Companies Ordinance 1984 (B) Companies Act, 1913 (C) Companies Act, 2017 (D) None of these
- Public limited companies in Pakistan can start their operations/business after getting the:**
(A) Certificate of incorporation (B) Certificate of commencement of business
(C) Memorandum of Association (D) None of these
- The decision rule in finance proclaims that you should purchase an asset if it is worth**
(A) More than it costs (B) More than it can be maximally sold for (C) Less than it costs (D) All of these
- The present value formula is: $PV = F \frac{1}{(1+r)^n}$. What do we call $\frac{1}{(1+r)^n}$?**
(A) Annuity factor (B) Present value factor (C) Future value factor (D) Both (A) & (B)
- The factor applicable to calculate future value from the present value at a specific rate of return with given time period is known as:**
(A) Discount factor (B) Compound factor (C) Annuity factor (D) None of these
- The financial planning process begins with _____ financial plans that in turn guide the formation of _____ plans and budgets.**
(A) Short run; long run (B) Short run; operating (C) Long run; strategic (D) Long run; short run
- The _____ decision involves efficiently managing the assets on the balance sheet on a day-to-day basis, especially current assets.**
(A) Asset management (B) Financing (C) Investment (D) Accounting
- Shareholder's wealth in a firm is represented by:**
(A) The number of people employed in the firm.
(B) The book value of the firm's assets less the book value of its liabilities.
(C) The amount of salary paid to its employees. (D) The market price per share of the firm's common stock.
- If the intrinsic value of a stock is greater than its market value, which of the following is a reasonable conclusion?**
(A) The stock has a low level of risk. (B) The stock offers a high dividend payout ratio
(C) The market is undervaluing the stock. (D) The market is overvaluing the stock
- The adjusting entry to record the accrual of income tax expense includes a:**
(A) Debit to income tax payable. (B) Credit to income tax expense.
(C) Credit to accounts payable. (D) Credit to income tax payable.
- Which of the following types of business organizations terminates when its ownership structure changes?**
(A) Proprietorships only (B) Proprietorships and corporations
(C) Partnerships and proprietorships (D) Partnerships and corporations
- The _____ own the corporation, but the _____, who are elected by the stockholders appoint officers to manage the business.**
(A) Stockholders, officers (B) Stockholders, board of directors
(C) Officers, board of directors (D) Board of directors, officers
- Tax Credit on charitable donation can only be claimed if it was paid through:**
(A) Cash (B) Cheque (C) Property in kind (D) All of these
- Imputable Income is defined under sub section _____ of the Income Tax Ordinance.**
(A) 31 (B) 29A (C) 28A (D) 29
- Deduction in computing Income chargeable under the head of income from other sources is explained under section:** (A) 38 (B) 40 (C) 39 (D) 20
- Electronic resource is defined under sub section _____ of the Income Tax Ordinance.**
(A) 19E (B) 19B (C) 19C (D) 19D

ACCOUNTANCY AND AUDITING, PAPER-II

PART – II

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SECTION – I (AUDITING)

- Q. 2.** Elaborate the role and responsibilities of an auditor by explaining auditor's professional & legal rights, responsibilities & duties, and liabilities. (20)
- Q. 3.** (a) What is meant by internal audit? List out the main differences between internal audit and external audit. (10)
- (b) Elaborate the role of corporate governance in corporate entities. As professional, comment on relationship between internal audit and corporate governance to attain institutional objectives through regulatory compliance. (10)
- Q. 4.** Explain the Computer Information Systems (EDP Systems) and discuss application of Computer-Assisted Audit Techniques (CAAT) to ensure fair practices in organization in the contemporary world. (20)

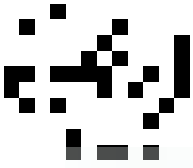
SECTION – II (BUSINESS TAXATION)

- Q. 5.** (a) Briefly explain the administrative set up of different tax authorities [207(2) to (4A)]. List out functions and powers of the Board. (10)
- (b) Elaborate the following fundamental definitions/terminologies: (10)
- i. Assessment [2(5)] as per Income Tax Ordinance 2001.
 - ii. Taxpayer [2(66)] as per Income Tax Ordinance 2001.
 - iii. Tax year [2(68) & 74] as per Income Tax Ordinance 2001.
 - iv. Sales Tax [2 (29A)] as per Sales Tax Act 1990
 - v. Output Tax [2 (20)] as per Sales Tax Act 1990
- Q. 6.** (a) Mr. Jameel is an officer in an autonomous organisation. He is in pay scale of (Rs. 150000-10000-250000). During the tax year he received Rs. 2400000 as basic salary. Moreover, he also received the followings: (10)
- | | Rs. |
|------------------------------|-------|
| i. Dearness Allowance | 18000 |
| ii. Cost of Living Allowance | 24000 |
| iii. Bonus | 20000 |
| iv. Commission | 30000 |
- The employer of Mr. Jameel has also provided the services of a driver and a housekeeper. The organisation paid Rs. 40000/- per month to each of these employees. Compute the Taxable Income of Mr. Jameel and tax liability.
- (b) Consider the details provided regarding Mr. Jameel (in question 6.a) and incorporate additional details for perks provided by the organization during the year. The organization also paid the domestic bills of Mr. Jameel including Telephone Rs. 12000; Water Rs. 6000; Electricity Rs. 9600 and Gas Rs. 4800. Calculate the taxable income and tax liability of Mr. Jameel by considering these utility/facilities. (10)

Note: Calculations for Question 6 a. and 6 b. should be based on the rates applicable to the Tax Year 2022.

SECTION – III (BUSINESS STUDIES AND FINANCE)

- Q. 7.** (a) Define business combination and its scope. Explain causes of business combinations and types of combinations. (10)
- (b) List out the characteristics and features of Joint Stock Company. Moreover, explain the process for creation/formation of joint stock companies according to Companies Act 2017 with example. (10)
- Q. 8.** (a) Explain the nature and scope of financial markets and institutions in Pakistan. (10)
- (b) Ms. Maryam Fatima is 30 years of age, and her salary next year will be Rs. 40,000. Ms. Maryam forecasts that her salary will increase at a steady rate of 5% per annum until her retirement at age 60. If the discount rate is 8%, what is the PV of these future salary payments? Moreover, if Ms. Maryam Fatima saves 5% of her salary each year and invests these savings at an interest rate of 8%, how much will she have saved by age 60? (10)



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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.
- The primary function of accounting is to:**
(A) Record the economic data. (B) Provide the information basis for action.
(C) Recording and classifying business transactions. (D) None of these
 - The concept of conservatism will have the effect of:**
(A) Understatement of assets (B) Understatement of liabilities
(C) Overstatement of assets (D) None of these
 - On December 1, 2022, Bridgestone Corporation invested Rs.50,000 in a new delivery truck. The truck is being depreciated at a monthly rate of Rs.500. During 2022, the company issued stock for Rs.80,000 and declared dividends of Rs.5,000. Its net income in 2022 was Rs.70,000. Bridgestone's ending Retained Earnings balance as reported in its December 31, 2022, balance sheet was Rs.95,000. Its beginning Capital Stock balance on January 1, 2022, was Rs.200,000. Given this information, the total stockholders' equity reported in the company's balance sheet dated December 31, 2022 would be equal to:**
(A) Rs.245,000 (B) Rs.445,000 (C) Rs.350,000 (D) Rs.375,000
 - Book-keeping is mainly concerned with:**
(A) Recording of financial data relating to business transactions.
(B) Designing the systems in recording, classifying, summarizing the recorded data.
(C) Interpreting the data for internal and external users. (D) None of these
 - Receipt and payments account is:**
(A) A nominal account (B) A real account (C) A personal account (D) None of these
 - The main objective of charging depreciation is:**
(A) To calculate true profit (B) To show the true financial position in the balance sheet
(C) To provide funds for replacement of fixed assets. (D) None of these
 - In the event of dissolution of a partnership firm, the provision for doubtful debts is transferred to:**
(A) Sundry debtors account (B) Partners' capital accounts (C) Realisation account (D) None of these
 - Which of the following accounts would never appear in the after-closing trial balance?**
(A) Unearned revenue (B) Dividends (C) Accumulated depreciation. (D) None of these
 - An auditing firm while auditing the accounts of a business firm found that total stockholders' equity was understated and liabilities were overstated. Which of the following errors could have been the cause?**
(A) Failure to record the earned portion of fees received in advance
(B) Failure to record interest accrued on a note payable
(C) Failure to make the adjusting entry to record revenue that had been earned but not yet billed to clients
(D) None of these
 - When a business is organized as a corporation, which of the following statements is true?**
(A) Stockholders are liable for the debts of the business in proportion to their percentage ownership of capital stock.
(B) Fluctuations in the market value of outstanding shares of capital stock do not directly affect the amount of stockholders' equity shown in the balance sheet.
(C) Stockholders do not have to pay personal income taxes on dividends received, because the corporation is subject to income taxes on its earnings.
(D) Each stockholder has the right to bind the corporation to contracts and to make other managerial decisions
 - Morgan Moving Corporation was organized with authorization to issue 100,000 shares of Rs.1 par value common stock. Forty thousand shares were issued to Tom Morgan, the company's founder, at a price of Rs.5 per share. No other shares have yet been issued. Which of the following statements is true?**
(A) Morgan owns 40 percent of the stockholders' equity of the corporation.
(B) The corporation should recognize a Rs.160,000 gain on the issuance of these shares.
(C) If the balance sheet includes retained earnings of Rs.50,000, total paid-in capital amounts to Rs.250,000.
(D) In the balance sheet, the Additional Paid-in Capital account will have a Rs.160,000 balance, regardless of the profits earned or losses incurred since the corporation was organized.

ACCOUNTANCY AND AUDITING, PAPER-I

12. **In financial statement analysis, the most difficult of the following items to predict is whether:**
- (A) The company will be liquid in six months.
 - (B) The company's market share is increasing or declining.
 - (C) The market price of capital stock will rise or fall over the next two months.
 - (D) None of these.
13. **During the current year, two transactions were recorded in the Land account of Duke Industries. One involved a debit of Rs.320,000 to the Land account; the second was a Rs.210,000 credit to the Land account. Duke's income statement for the year reported a loss on sale of land in the amount of Rs.25,000. All transactions involving the Land account were cash transactions. These transactions would be shown in the statement of cash flows as:**
- (A) Rs.210,000 cash provided by investing activities, and Rs.320,000 cash disbursed for investing activities.
 - (B) Rs.185,000 cash provided by investing activities, and Rs.320,000 cash disbursed for investing activities.
 - (C) Rs.235,000 cash provided by investing activities, and Rs.320,000 cash disbursed for investing activities.
 - (D) None of these.
14. **Multiple costing is a technique of using two or more costing methods for ascertainment of cost by:**
- (A) The same firm
 - (B) Several firms
 - (C) The same industry
 - (D) The several industries
15. **Which of the following are true regarding activity-based costing?**
- (A) A primary goal of using ABC is a more useful allocation of manufacturing overhead to product lines.
 - (B) Under ABC, direct labor hours are never used to allocate overhead costs to activity pools or product lines.
 - (C) The use of ABC is justified when each of a firm's product lines consumes approximately the same amount of overhead resources but the current allocation scheme assigns each line a substantially different amount.
 - (D) None of these
16. **If Power Products uses process costing, which of the following are likely to be true?**
- (A) The products are created to customer specifications.
 - (B) The products use different amounts of direct labor.
 - (C) The products are created with repetitive processes.
 - (D) None of these
17. **An unfavorable overhead volume variance indicates that:**
- (A) Total fixed overhead has exceeded the standard amount budgeted.
 - (B) Variable overhead per unit has exceeded the standard amount budgeted.
 - (C) Actual production output was less than the normal volume of output.
 - (d) Actual production output was more than the normal volume of output.
18. **The Work in Process Inventory account had a beginning balance of Rs.4,200 on February 1. During February, the cost of direct materials used was Rs.29,000, and direct labor costs assigned to production totaled Rs.3,000. Manufacturing overhead was assigned to production amounted to Rs.3,600. If the cost of finished goods manufactured was Rs.37,700, the balance of the Work in Process Inventory account at the end of February would be equal to:**
- (A) Rs. 9,900
 - (B) Rs. 2,100
 - (C) Rs. 1,500
 - (D) Rs. 5,700
19. **During the current year, the net sales of Ridgeway, Inc., were 10 percent below than last year's level. You should expect Ridgeway's semivariable costs to:**
- (A) Decrease in total, but increase as a percentage of net sales.
 - (B) Increase in total and increase as a percentage of net sales.
 - (C) Decrease in total and decrease as a percentage of net sales.
 - (D) Increase in total, but decrease as a percentage of net sales.
20. **Premo Pens, Inc., is in the process of developing a new pen to replace its existing top-of-the-line Executive Model. Market research has identified the critical features the pen must have, and it is estimated that customers would be willing to pay Rs.30 for a pen with these features. Premo's production manager estimates that with existing equipment it will cost Rs.26 to produce the proposed model. The current Executive Model sells for Rs.24 and has a total production cost of Rs.20. A competitor sells a pen similar to the proposed model, but without Premo's patented easy retract feature, for Rs.28. It is estimated to cost the competitor Rs.25 to produce. If Premo seeks to earn a 22 percent return on sales on the new model, which of the following represents the target cost for the new pen?**
- (A) Rs. 26.00
 - (B) Rs. 19.80
 - (C) Rs. 24.00
 - (D) Rs. 23.40

ACCOUNTANCY AND AUDITING, PAPER-I

PART-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 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 the 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.** Satellite World was founded in 2021 to apply a new technology for efficiently transmitting closedcircuit (cable) television signals without the need for an in-ground cable. The company earned a profit of Rs.115,000 in 2021, its first year of operations, even though it was serving only a small test market. In 2022, the company began dramatically expanding its customer base. Management expects both sales and net income to more than triple in each of the next five years. Comparative balance sheets at the end of 2021 and 2022, the company's first two years of operations, are as follow:

Additional Information:

The following information regarding the company's operations in 2022 is available in either the company's income statement or its accounting records.

1. Net income for the year was Rs.440,000. The company has never paid a dividend.
2. Depreciation for the year amounted to Rs.147,000.
3. During the year the company purchased plant assets costing Rs.2,200,000, for which it paid Rs.1,850,000 in cash and financed Rs.350,000 by issuing a long-term note payable. (Much of the cash used in these purchases was provided by short-term borrowing, described as follows.)
4. In 2022, Satellite World borrowed Rs.1,450,000 against a Rs.5.5 million line of credit with a local bank. In its balance sheet, the resulting obligations are reported as notes payable (short-term).
5. Additional shares of capital stock (no par value) were issued to investors for Rs.500,000 cash.

SATELLITE WORLD
Comparative Balance Sheets
December 31

	2021	2022
Assets		
Cash and cash equivalents	Rs.80,000	Rs.37,000
Accounts receivable	100,000	850,000
Plant and equipment (net of accumulated depreciation)	600,000	2,653,000
Totals	Rs.780,000	Rs.3,540,000
Liabilities & Stockholders' Equity		
Notes payable (short-term)	Rs. –0–	Rs.1,450,000
Accounts payable	30,000	63,000
Accrued expenses payable	45,000	32,000
Notes payable (long-term)	390,000	740,000
Capital stock (no par value)	200,000	700,000
Retained earnings	115,000	555,000
Totals	Rs.780,000	Rs.3,540,000

Instructions:

- (a) Prepare a formal statement of cash flows for 2022, including a supplementary schedule of noncash investing and financing activities. (Cash provided by operating activities is to be presented by the indirect method.) (16)
- (b) Briefly explain how operating activities can be a net use of cash when the company is operating so profitably. (04) (20)

ACCOUNTANCY AND AUDITING, PAPER-I

- Q. 3.** Davidson Limited purchased new furniture for its store on May 1, 2019. The furniture is expected to have a 10-year life and no residual value. The following expenditures were associated with the purchase.

Cost of the furniture	Rs.110,000
Freight charges	3,750
Sales taxes	19,800
Installation of furniture	7,500
Cost to repair furniture damaged during installation	4,000

Instructions:

- (a) Compute depreciation expense for the years 2019 through 2023 under each depreciation method listed. (10)
- (1) Straight-line, with fractional years rounded to the nearest whole month.
- (2) 200 percent declining-balance, using the half-year convention.
- (b) Davidson Limited has two conflicting objectives. Management wants to report the highest possible earnings in its financial statements, yet it also wants to minimize its taxable income reported to the tax authorities. Explain how both of these objectives can be met. (04)
- (c) Assume that Davidson Limited sold the old furniture that was being replaced. The old furniture had originally cost Rs.30,000. Its book value at the time of the sale was Rs.4,000. (06) (20)
- Record the sale of the old furniture under the following conditions.
- The furniture was sold for Rs.7,800 cash.
 - The furniture was sold for Rs. 2,500 cash.

- Q. 4** X, Y and Z were partners sharing profits and losses in the ratio of two-third, one-sixth and one-sixth, respectively. Balance sheet of the firm as on December 31, 2022 was as follow.

Assets	Rs.	Liabilities	Rs.
Cash	20,000	Sundry Creditors	30,000
Debtors	30,000		
Stock	30,000	Capital:	
Premises	60,000	X	80,000
X's Loan	10,000	Y	20,000
		Z	20,000
TOTAL	150,000	TOTAL	150,000

X died on January 1, 2023. Firm had taken joint policy of Rs.60,000. The policy amount was realized on January 15, 2023. As per partnership deed goodwill was valued at 2 years' purchase of average profit of three completed years. Deceased partner was paid out his dues on February 1, 2023, available cash balance being supplemented by a loan from the firm's bankers. Profits for the preceding three years were Rs.40,000, Rs.40,000, and Rs.46,000, respectively.

Instructions:

- Show the ledger accounts of the partners and the balance sheet of Y and Z as it would stand after the death of X. (You may ignore the amount of interest, if any). (20)

- Q. 5** The following is the statement of Receipts and Payments of a Welfare Hospital for the year ending 31" December 2022.

Receipts	Rs.	Payments	Rs.
Opening Balances:			
Cash	500	Furniture purchased	100
Bank	8,000	Salaries	23,000
Govt. Securities	180,000	Instruments purchased	500
Subscriptions	25,000	Diet expenses	2,000
Interest	9,000	Surgery and dispensary	1,000

ACCOUNTANCY AND AUDITING, PAPER-I

Receipts	Rs.	Payments	Rs.
Donations	4,000	Rent and taxes	500
Miscellaneous	300	Insurance	200
		Office expenses	700
		Miscellaneous expenses	100
		Closing balances:	
		Bank	18,000
		Cash	700
		Govt. Securities	180,000
TOTAL	226,800	TOTAL	226,800

The detail of other assets on 1st January 2022 were:

Furniture Rs.2,000, Land Rs.50,000, Building Rs.1,50,000, Instruments Rs.3,500. The Govt. Securities of the face value of Rs.2,00,000 (cost Rs.1,80,000) represents investments of the 2021 Endowment Fund. The subscriptions received include Rs.10,000 for the year 2021 but Rs.7,000 is outstanding for 2022. Salaries paid include Rs.1,000 for 2021 but Rs.1,500 is payable for 2022. Interest received includes Rs.2,000 for 2021 but Rs.2,300 is outstanding for 2022.

Instructions:

Prepare the Income and Expenditure Account for the year and the Balance sheet as on 31st December 2022.

(20)

SECTION II

- Q. 6.** Boothe Company uses job order cost accumulation and applies overhead based on direct labor hours. Any underapplied or overapplied overhead is adjusted directly to Cost of Goods Sold at the end of each month. On April 1, job cost sheets indicated the following.

	Job 201	Job 202	Job 203	Job 204
Direct Materials	Rs.3,590	Rs.2,000	Rs.1,480	Rs.2,000
Direct Labor	2,700	1,500	1,000	1,200
Applied Overhead	2,160	1,200	800	960
Total Cost	Rs.8,450	Rs.4,700	Rs.3,280	Rs.4,160
Job Status	Finished	In process	In process	In process

On April 30, Finished Goods contained only Jobs 204 and 207, which had the following total costs.

	Job 204	Job 207
Direct Materials	Rs.2,970	Rs.2,450
Direct Labor	2,200	1,900
Applied Overhead	1,760	1,520
Total Cost	Rs.6,930	Rs.5,870

Besides working on Jobs 204 and 207 in April, the company continued work on Jobs 202 and 203 and started work on Jobs 205 and 206. A summary of direct materials used and direct labor hours worked on Jobs 202, 203, 205, and 206 during April showed the following.

	Job 202	Job 203	Job 205	Job 206
Direct Materials	Rs.1,250	Rs.555	Rs.2,500	Rs.1,980
Direct Labor	100	75	105	50

ACCOUNTANCY AND AUDITING, PAPER-I

Other information:

- (1) On April 30, the only jobs still in process were 203 and 206.
- (2) All workers are paid Rs.20 per hour. Wage rates have been stable throughout the year.
- (3) The company maintains only one raw materials account (Materials Control) from which it issues both direct and indirect materials. The balance in this account was Rs.2,700 on April 1.
- (4) All sales are billed on account at 150% of total cost.
- (5) Other items in April:

Depreciation, Factory Equipment	Rs.1,375
Raw Materials Purchased	11,550
Indirect Labor	2,500
Factory Rent and Utilities	2,700
Indirect Materials Used	2,790

Instructions:

(05 marks each)

(20)

- (a) Determine the April 30 balances for Materials Control and for Work in Process.
- (b) Prepare all journal entries required for Job 202 in April.
- (c) Calculate the cost of goods manufactured in April. (A complete statement of cost of goods manufactured is not required.)
- (d) Calculate the overapplied or underapplied overhead for April.

Q.7 Standard Cabinet Company manufactures a single model of a commercial prefabricated wooden cabinet. The company uses a process cost system with an average cost flow assumption. It maintains a separate work in process account for each of its two producing departments, Cutting and Assembly. The basic cabinet components are cut out of wood in the Cutting Department and then transferred to the Assembly Department, where they are put together with the addition of hinges and handles purchased from outside vendors. Data related to manufacturing operations in August are provided below.

	Cutting	Assembly
Units in beginning inventory	200	250
Units started in process in Cutting Department this period	600	-
Units transferred from Cutting to Assembly this period	650	650
Units transferred from Assembly to Finished Goods this period	-	800
Units in ending inventory		
Cutting Department (90% materials, 60% conversion cost)	150	-
Assembly Department (40 % materials, 20% conversion cost)	-	100

	Cutting	Assembly
Cost in beginning inventory		
Cost from preceding department		Rs.17,410
Materials	Rs.5,365	3,451
Labor	530	3,611
Factory Overhead	795	3,611
Cost added during the current period		
Materials	26,035	14,273
Labor	8,350	20,989
Factory Overhead	12,525	20,989

Instructions:

- (a) Prepare a cost of production report for each department for August. **(15)**
- (b) Prepare the appropriate general journal entries to record the charge to the producing departments for the costs incurred during August and to record the transfer of units from Cutting to Assembly and from Assembly to Finished Goods Inventory. **(05) (20)**

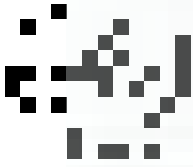
ACCOUNTANCY AND AUDITING, PAPER-I

- Q. 8.** Employees in the Fabrication department of Alexandar company are currently paid Rs.10 per hour for an 8 hour shift. For the several weeks, production has averaged 5 units per hour per worker. Factory overhead in this department is Rs.12 per direct labour hour. Employees and management are considering the following proposal:

Units Assembled per 8-Hour Day	Piecework Rate for all Units Produced for the Day
up to 44	Rs.2.00
45 to 49	2.12
50 to 54	2.20
55 to 59	2.30
60 and above	2.40

Instruction:

- (a) Prepare an analysis schedule for the proposal, showing production at each of the following level, 40, 45, 50, 55, and 60 units per 8-hour day. Compute unit cost to the nearest Rupee. (15)
- (b) Does the piecework proposal appear advantageous to the employees and/or to the management? (05) (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 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) 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

ACCOUNTANCY & AUDITING, PAPER-II

Additional Information:

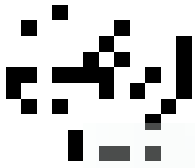
- a) Sundry expenses include donation of Rs. 502,000 paid to an unrecognized charitable institution.
- b) Office salaries include Rs.6,000,000 paid to one of the directors.
- c) Provident Fund is recognized by the Income Tax Department.
- d) Vehicle expenses are not vouched and verifiable to the extent 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)



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UNDER THE FEDERAL GOVERNMENT
ACCOUNTANCY AND AUDITING, PAPER-I

<u>Roll Number</u>

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. 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.

ACCOUNTANCY AND AUDITING, PAPER-I

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.

ACCOUNTANCY AND AUDITING, PAPER-I

- (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:

	<u>Job 621</u>	<u>Job 622</u>	<u>Job 623</u>	
Materials	\$2,800	\$3,400		\$1,800
Labour	2,100	2,700		1,350
Applied Factory-Overhead	<u>1,680</u>	<u>2,160</u>		<u>1,080</u>
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:

<u>Employee</u>	<u>Hourly rate</u>
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.

<u>Employee</u>	<u>Base rate</u>
Clancy, D	\$3.50
Lukan, T	5.50
Schott, J	4.50

ACCOUNTANCY AND AUDITING, PAPER-I

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:

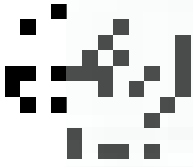
Marketing	15% of sales
Administrative	5%
Financial	1%

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)



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Roll Number

ACCOUNTANCY & 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**.
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(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 (10)
on the elements of balance sheet equation (Assets = Liabilities + Owner's Equity).
- (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 (10) (20)
underneath and write it down in answer book provided. Show there the required
calculations as well.

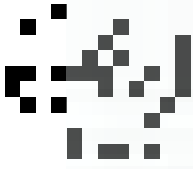
Table

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)



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ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

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PART-I(MCQS): MAXIMUM 30 MINUTES	PART-II	MAXIMUM MARKS = 80

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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)

ACCOUNTANCY AND AUDITING, PAPER-I

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:

	<u>Total (Rs.)</u>	<u>Per unit (Rs.)</u>	<u>% of sales</u>
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.

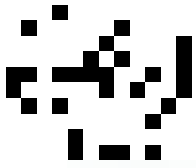
Required: The cost of production report for Department 2 for April.

(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)



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ACCOUNTANCY & AUDITING, PAPER-II

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PART – II
SECTION – I (AUDITING)

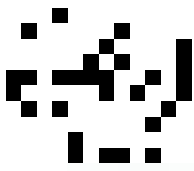
- Q. 2.** Why computerized audit is required in the presence of manual audit? Elaborate the computerized auditing by application of Computer Assisted Audit Techniques (CAAT). (20)
- Q. 3.** Define audit and auditing. Comment on the auditor’s (dependence) consideration of “reasonable assurance” and “True & 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?



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ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

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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 Paid Rs.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.

ACCOUNTANCY AND AUDITING, PAPER-I

- (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?

ACCOUNTANCY AND AUDITING, PAPER-I

- (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)

	<u>Company</u>	<u>Somerset High School Job</u>
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:

- For Chief Manufacturing, determine the annual manufacturing overhead cost-allocation rate.
- Determine the amount of manufacturing overhead costs allocated to the Somerset High School job.
- Determine the estimated total manufacturing costs for the Somerset High School job.

- Q. 6. (A) Sodus 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. Sodus uses weighted-average costing. (10)

Required:

- Determine the equivalent units in process for direct materials and conversion costs, assuming there was no beginning inventory.
- 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 expenses	Rs.3.00 per unit, plus Rs.100,000 per year

Required:

- Prepare an income statement using absorption costing.
- 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:

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

	<u>Budgeted</u>	<u>Actual</u>
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:

- Compute the budgeted factory overhead rate.
- Compute the factory overhead applied.
- Compute the amount of over/under applied overhead.

ACCOUNTANCY AND AUDITING, PAPER-I

- 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	

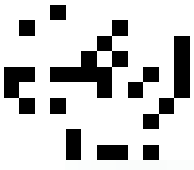
Required:

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?



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UNDER THE FEDERAL GOVERNMENT

Roll Number

ACCOUNTANCY & 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**.
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(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)

ACCOUNTANCY & AUDITING, PAPER-II

- (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.

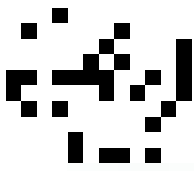
Required. Calculate the tax payable by Mr. Mohammad Adil.

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 of time.
- 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.



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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) **Part-II** is to be attempted on the separate **Answer Book**.
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PART – II
SECTION – I

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

<u>XY. Co.</u>	
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
	<u>1,692,000</u>		<u>1,692,000</u>

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. **(20)**
The following is the data to the operation of department III for September, 2008.

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)**

	<u>Units produced</u>
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)**

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

Required:

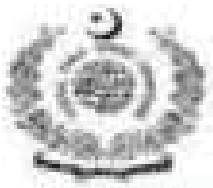
Prepare a new contribution format income statement under each of the following conditions.

- (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.



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ACCOUNTANCY AND AUDITING, PAPER-II

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NOTE: (i) **Part-II** is to be attempted on the separate **Answer Book**.
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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	180
Unregistered persons	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)**

ACCOUNTANCY AND AUDITING, PAPER-II

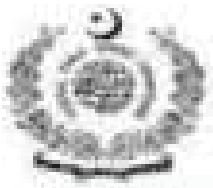
- Q. No. 6.** (A) Identify the main features of Income Tax ordinance 2001. Also discuss the exemptions and tax concessions available to a taxpayer under that ordinance. (20)
- (B) Mr. Ahmed is an employee of a company. He has submitted the following information for the tax year 2016.

	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?



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ACCOUNTANCY AND AUDITING, PAPER-I

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PART-II
SECTION-I

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

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.

ACCOUNTANCY AND AUDITING, PAPER-I

- 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:
- Working capital
 - Current ratio
 - Acid-test ratio
 - Accounts receivable turnover
 - Merchandise inventory turnover
 - 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)**

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
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:**
- Prepare the company's sales budget and schedule of expected cash collections.
 - 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 **(20)**
(all raw materials are used in production as direct materials):

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:

	<u>Beginning of Year</u>	<u>End of Year</u>
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.)

ACCOUNTANCY AND AUDITING, PAPER-I

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 <u>Produced</u>	Units <u>Sold</u>
May	30,000	26,000
June	30,000	34,000

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

	<u>May</u>	<u>June</u>
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:

- Determine the unit product cost under:
 - Absorption costing.
 - Variable costing.
- Prepare contribution format variable costing income statements for May and June.
- 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:

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



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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 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 | Rs. 40,000 p.m |
| (30,000-5,000-60,000), | |
| 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)**

ACCOUNTANCY AND AUDITING, PAPER-II

- (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 3rd year, leaving all interest paid on deposit (no withdrawals), from each bank? (6)



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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.
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(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		<u>2,900</u>
		82,900
Debtors	8,400	
Cash	<u>600</u>	
	9,000	
Sundry creditors	<u>(4,100)</u>	
Net current assets		4,900
Total Assets		<u>87,800</u>
Capital account. Pool		52,680
Burns		<u>35,120</u>
		<u>87,800</u>

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)**

ACCOUNTANCY AND AUDITING, PAPER-I

- (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)

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

Income Statement

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

* 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:

- 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.

(10)

(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.)	<u>Services provided by</u>	
		Maintenance	Cafeteria
Cutting department	126,000	40%	50%
Sewing department	87,000	50%	30%
Maintenance department	30,000	---	20%
Cafeteria	26,400	10%	---

Required::

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

(10)

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

	<u>Hours worked</u>	<u>Production</u>
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)

ACCOUNTANCY AND AUDITING, PAPER-I

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

	<u>Job 369</u>	<u>Job 372</u>
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.

	<u>Materials</u>	<u>Conversion cost</u>
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)

ACCOUNTANCY AND AUDITING, PAPER-II

SECTION-C (INCOME TAX LAW)

- Q. No. 6.** The following data are available relating to Mr. X for the year ended on June 30, 2012: (20)
- | | | |
|----|--|---------------|
| 1. | Salary | Rs. 2,400,000 |
| 2. | Bonus | 400,000 |
| 3. | Prize Bond Winning | 200,000 |
| 4. | Dividends received from listed company | 400,000 |
| 5. | Casual Income | 200,000 |
| 6. | Rent received from owned property | 400,000 |

Required:

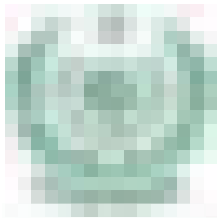
Compute Taxable Income and Tax payable by Mr. X under different sources of Income.

- Q. No. 7.** Describe procedure involved under Universal Self-Assessment Scheme under Income Tax Law. What checks and balances exist for successful and smooth operation of the above scheme? (20)

SECTION-D (BUSINESS ORGANIZATION AND FINANCE)

- Q. No. 8.** You have been invited by management to form a Public Listed Company in Pakistan. State steps which you will take to implement the above directive. List points in the light of Companies ordinance 1984 for formation of the above Listed Company. (20)

- Q. No. 9.** Describe the following terms used in the field of finance in Pakistan. Illustrate your answer. (5 each) (20)
- Bridge Finance
 - NIB modes of financing
 - Quick ratio
 - Inventory turnover



FEDERAL PUBLIC SERVICE COMMISSION
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RECRUITMENT TO POSTS IN BS-17
UNDER THE FEDERAL GOVERNMENT, 2014
ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

TIME ALLOWED: THREE HOURS (PART-I MCQs) 30 MINUTES (PART-II) 2 HOURS & 30 MINUTES
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, selecting TWO questions from EACH SECTION. ALL questions carry EQUAL marks.
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(v) Extra attempt of any question or any part of the attempted question will not be considered.
(vi) Use of simple calculator is allowed.

PART-II
SECTION-A

Q2: The following figures are taken from the books of Sun Company Limited as on December 31, 2013.

Debit balances	Rs.	Credit balances	Rs.
Opening stock	50000	Purchases returns	1000
Purchases	160000	Sales	300000
Carriage	4000	Discount	1500
Furniture	15000	Profit and loss	35000
Salaries	45000	Share capital	500000
Rent	34800	Sundry creditors	20000
Dividend paid	4500	General reserve	30000
Sundry debtors	60000	Salaries payable	2500
Machinery	300000	Provision for bad debts	9500
Premises	200000	Bad debts recovered	500
Cash at bank	9700	Bank loan 10% taken 1.1.2013	50000
Directors fee	9000		
Bills receivable	21000		
Trade expenses	9000		
Prepaid insurance	1500		
Bad debts	2000		
Interest on bank loan	4500		
Investments market price (Rs. 19000)	20000		
	950000		950000

Adjustments:

- (1)** The average stock at the year-end was worth Rs. 65000. **(2)** Create a provision for income tax Rs. 10000. **(3)** Increase provision for bad debts by Rs. 12000. **(4)** Depreciate machinery at 10%; furniture at 15%; and Premises at 5%. **(5)** There is pending law suit for Rs. 50000 against the company for infringement of trade marks. **(6)** The machinery account includes new machinery worth Rs. 25000 purchased on January 1, 2012. This machinery is still lying unpacked at the end of December 31, 2013.

Prepare trading and profit and loss account; profit and loss appropriation account for the year ended December 31, 2013 and balance sheet as at that date as per Companies Ordinance 1984.

Q3: The following is the balance sheet of Shine Company as on December 31, 2013.

Liabilities	Rs.	Assets	Rs.
Equity share capital	120000	Fixed assets	360000
Reserves and surplus	80000	Less depreciation	100000
6% mortgage debentures	140000	Current assets :	
Current liabilities:		Cash	10000
Creditors	12000	Investment	30000
Bills payables	20000	Stock	60000
Outstanding expenses	2000	Sundry debtors	40000
Taxation provision	26000		
	400000		400000

Other information: Net sales Rs.600000; cost of goods sold Rs.516000; net income before tax Rs.40000; net income after tax Rs.20000.

Required: Calculate current ratio; acid test ratio; debt equity ratio; gross profit ratio and operating ratio.

Q4: Prepare cash flow statement from the following balance sheets of X Ltd for the year ended December 31, 2013.

	2012	2013		2012	2013
Liabilities and capital	Rs.	Rs.	Assets	Rs.	Rs.
Share capital	40000	50000	Building	20000	16000
General reserve	7000	11000	Machinery	8000	14000
Profit and loss	3000	3400	Goodwill	6000	4000
9% debentures	10000	8000	Debtors	24000	32000
Sundry creditors	4600	1000	Stock	3600	4000
			Cash	3000	3400
	<u>64600</u>	<u>73400</u>		<u>64600</u>	<u>73400</u>

Adjustments: Depreciation charged on building Rs.10000 and on machinery Rs.6000

SECTION B

Q5: A, B, and C were partners sharing profits and losses in the ratio of 2:2:1. C decided to retire on December 31, 2013. The following is the balance sheet of partnership firm

Balance sheet
December 31, 2013

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	10000	Stock of goods	10000
Reserve account	2000	Sundry Debtors	10000
Capital account A	24000	Bills receivable	4000
Capital account B	16000	Bank A/c	10000
Capital account C	12000	Land and building	30000
	<u>64000</u>		<u>64000</u>

A and B decided to share profits and losses in the ratio of 3:2 in future. Goodwill is valued at Rs. 10000. Land and building was appreciated by Rs.6000 and stock by Rs.2000. There was bad debt loss of Rs.1000 but not recorded in books. A and B decided to bring sufficient cash to settle the account of C and to make their capital proportionate. They also decided to maintain Rs.15000 bank balances for meeting the day to day business expenses. Prepare necessary journal entries and prepare balance sheet of newly constituted firm.

Q6: Fast Ltd purchased machinery on January 1, 2011 and its book value was Rs.40500 on January 1, 2013. The company had been writing off depreciation at 10% per annum on diminishing balance method. The company disposed-off machinery for Rs.8400 on July 1, 2013 and book value of such machinery was Rs.12150 on January 1, 2011. It was decided that during 2013 sufficient depreciation should be written off to make up depreciation at 10% on original cost basis. Books are closed on December 31 each year. Pass necessary journal entries and prepare machinery account

Q7: Hassan started business on January 1, 2013 with a capital of Rs.90000. He kept cash book and a record of his receivable and payables in a diary. His cash book showed following transactions for the year.

	Rs.
Expenses paid	22000
Cash purchases	56000
Cash sales	42000
Payments to creditors	100000
Receipts from debtors	140000
Personal drawings	10000
Purchase of a motor cycle	60000

On December 31, 2013 the stock was valued at Rs.20000. The payables and receivables were Rs.120000 and Rs.110000 respectively. Provide depreciation motor cycle at the rate of 20%. Prepare trading and profit and loss account for the year ended December 31, 2013 and balance sheet as on date.

Q8: From the following particulars prepare Profit and Loss Account (vertical format) of ABC Bank Limited for the year ended December 31, 2013

Mark-up earned	Rs. 35000
Mark-up expensed	37000
Income from dealing in foreign currency	4500
Commission, exchange and brokerage	1200
Administrative expenses	16000
Non-mark-up income	19000
Other income	22000
Income tax provision	1500
Other provisions	200
Gain on sale of securities	13000
Bad debts written off	5000
Provision for diminution in value of investments	7000
Provision against non-performing loans	2500
Dividend income	5400
Other charges	4700

ACCOUNTANCY AND AUDITING, PAPER-II

- a. Represents the cost of manufacturing overhead that relates to unfinished jobs.
 - b. Is indicated by a credit balance remaining at year-end in the Manufacturing Overhead account.
 - c. Is closed out at year-end into the Cost of Goods Sold account if the amount is not material.
 - d. Results when actual overhead costs incurred during a year are less than the amounts applied to individual jobs.
 - e. None of these.
- (vi) Shabbir Manufacturing has operations that involve three processing departments: Assembly, Painting, and Packaging. Debits to the Work in Process Inventory: Painting Department account could involve a credit to any of the following, EXCEPT:
- a. Work in Process Inventory: Packaging Department
 - b. Direct Labour
 - c. Manufacturing Overhead
 - d. Work in Process Inventory: Assembly Department
 - e. None of these
- (vii) When **actual** overhead costs incurred are charged to processing departments each month:
- a. The cost of infrequent items, such as a major plant refurbishing, is spread uniformly over all units produced throughout the year
 - b. Under or overapplied overhead may occur, but it is treated in the same as when an overhead application rate is used.
 - c. It is no longer necessary to compute the equivalent final units of production for individual departments.
 - d. The monthly per-unit cost of producing a product will vary from fluctuations in the level of production when a significant portion of overhead cost is fixed.
 - e. None of these.
- (viii) When a business is organized as corporation:
- a. Stockholders are liable for the debts of the business only in proportion to their percentage ownership of capital stock.
 - b. Stockholders do not have to pay personal income taxes on dividends received, because the corporation is subject to income taxes on its earnings.
 - c. Fluctuations in the market value of outstanding shares of capital stock do not affect the amount of stockholders' equity shown in the balance sheet.
 - d. Each stockholder has the right to bind the corporation to contracts and to make other managerial decisions.
 - e. None of these.
- (ix) Which of the following is NOT a characteristic of common stock of a large, publicly owned corporation?
- a. The shares may be transferred from one investor to another without disrupting the continuity of business operations.
 - b. Voting rights in the election of the board of directors
 - c. A cumulative right to receive dividends
 - d. After issuance, the market value of the stock is unrelated to its par value.
 - e. None of these.
- (x) Tri-State Electric is a profitable utility company that has increased its dividend to common stockholders every year for 62 consecutive years. Which of the following is **least** likely to affect the market place of the company's **preferred** stock?
- a. The company's earnings are expected to increase significantly over the next several years.
 - b. An increase in long-term interest rates
 - c. The annual dividend paid to preferred shareholders
 - d. Whether or not the preferred stock carries a conversion privilege.
 - e. None of these
- (xi) The primary purpose of showing special types of events separately in the income statement is to:
- a. Increase earnings per share.
 - b. Assist users of the income statement in evaluating the profitability of normal, ongoing operations.
 - c. Minimize the income taxes paid on the results of ongoing operations

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- d. Prevent unusual losses from recurring
e. None of these
- (xii) Which of the following situations would NOT be presented in a separate section of the current year's income statement of Zeeshan Corporation? During the current year:
- a. Zeeshan's Peshawar headquarters are destroyed by a flood.
b. Zeeshan sells its entire juvenile furniture operations and concentrates upon its remaining children's clothing segment.
c. Zeeshan changes from the straight-line method of depreciation to the double declining balance method
d. Zeeshan's accountant discovers that the entire price paid several years ago to purchase company offices in Islamabad had been charged to Land account; consequently, no depreciation has ever been taken on these buildings.
e. None of these
- (xiii) When a corporation has outstanding both common and preferred stock:
- a. Primary and fully diluted earnings per share are reported only if the preferred stock is cumulative
b. Earnings per share are reported for each type of stock outstanding.
c. Earnings per share may be computed without regard to the amount of dividends declared on common stock
d. Earnings per share may be computed without regard to the amount of the annual preferred dividends.
e. None of these
- (xiv) The statement of retained earnings:
- a. Need to be prepared if a separate statement of stockholder's equity accompanies the financial statements.
b. Indicates the amount of cash available for the payment of dividends
c. Includes prior period adjustments and cash dividends, but not stock dividends.
d. Shows revenues, expenses and dividends for the accounting period.
e. None of these
- (xv) On December 10, 2008, Star Corporation reacquired 2,000 of its own Rs 5 par stock at a price of Rs 60 per share. In 2009, 500 of the treasury shares are reissued at a price of Rs. 70 per share. Which of the following statements is correct?
- a. The treasury stock purchased is recorded at cost and is shown in Star's December 31, 2008, balance sheet as an asset.
b. The two treasury stock transactions result in an overall reduction in Star's stockholder's equity of Rs. 85,000
c. Star recognizes a gain of Rs. 10 per share on the reissuance of the 500 treasury shares in 2009.
d. Star's stockholder's equity was increased by Rs. 110,000 when the treasury stock was acquired.
e. None of these
- (xvi) J.Q. Corporation was organized with authorization to issue 100,000 shares of Re. 1 par value common stock. Forty thousand shares were issued to Hassan Mir, the company's founder, at a price of Rs. 5 per share. No other shares have yet been issued.
- a. J.Q. owns **40%** of the stockholder's equity of the corporation.
b. The corporation should recognize a Rs. 160,000 gain on the issuance of the shares.
c. If the balance sheet includes retained earnings of Rs. 50,000, total **paid-in** capital amounts to Rs. 250,000
d. In the balance sheet, the Additional Paid-in Capital account will have a Rs. 160,000 balance, regardless of the profits earned or losses incurred since the corporation was organized.
e. None of these
- (xvii) Which ratio best measures a company's success in earning net income for its owners?
- a. Profit Margin
b. Return on common stockholders' equity
c. Price earnings ratio
d. Dividend yield
e. None of these
- (xviii) Which of the following is true for an installment note requiring a series of equal total cash payments?
- a. Payments consist of increasing interest and decreasing principal

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- b. Payments consist of changing amounts of principal but constant interest
 - c. Payments consist of decreasing interest and increasing principal
 - d. None of these
- (xix) How does a stock dividend impact assets and retained earnings?
- a. Stock dividends does not transfer assets to stockholders
 - b. Stock dividend requires an amount of contributed capital to be transferred to retained earning account
 - c. Stock dividend does transfer assets to stockholders
 - d. None of these
- (xx) Which of the following is least useful as a basis for comparison when analyzing ratios?
- a. Company results from a different economic setting
 - b. Standards from past experience
 - c. Rule of Thumb Standards
 - d. Industry Wages
 - e. None of these

PART-II

- NOTE:**(i) PART-II is to be attempted on separate Answer Book.
(ii) Attempt **ONLY FOUR** questions from **PART-II**, selecting **ONE** question from each **SECTION** except **SECTION –C**, where the choice is mentioned.
(iii) **Extra attempt of any question or any part of the attempted question will not be considered.**

SECTION –A COST ACCOUNTING

Q. 2 The Balances in the perpetual inventory accounts of Sonny Manufacturing Co. at the beginning and end of the current year are as follows:

	<i>End of Year</i>	<i>Beginning of Year</i>
<i>Inventory accounts:</i>		
<i>Materials</i>	<i>Rs. 25,800</i>	<i>Rs. 22,000</i>
<i>Work in Process</i>	<i>8,000</i>	<i>5,000</i>
<i>Finished goods inventory</i>	<i>24,000</i>	<i>38,000</i>

The total amounts debited and credited during the year to the accounts used in recording manufacturing activities are summarized below:

<i>Account:</i>	<i>Debit Entries</i>	<i>Credit Entries</i>
<i>Materials Inventory</i>	<i>Rs. 410,000</i>	<i>Rs. ?</i>
<i>Direct Labour</i>	<i>189,000</i>	<i>192,000</i>
<i>Manufacturing Overhead</i>	<i>393,600</i>	<i>393,600</i>
<i>Work in Process Inventory</i>	<i>?</i>	<i>?</i>
<i>Finished Goods Inventory</i>	<i>?</i>	<i>?</i>

INSTRUCTIONS

- a. Using this data, state or compute for the year the amounts of: (10)
1. Direct materials purchased
 2. Direct materials used
 3. Payments of direct labour payrolls
 4. Direct labour cost assigned to production
 5. The overhead application rate used during the year, assuming that overhead was applied as a percentage of direct labour costs
 6. Total manufacturing costs charged to the work in process inventory account during the year
 7. The cost of finished goods manufactured

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8. Cost of goods sold

b. Prepare a schedule of the cost of finished goods manufactured.

(10)

Q.3 Aladdin Electric manufactures several products, including an electric garage door opener called the Door Tender. Door Tenders are completely processed in one department and are then transferred to the finished goods warehouse. All manufacturing costs are applied to Door Tender units at a uniform rate throughout the production process. The following information is available for July:

<i>Beginning inventory of work in process</i>	<i>Rs. 21,200</i>
<i>Manufacturing costs incurred in July:</i>	
<i>Direct Material used</i>	<i>56,100</i>
<i>Direct Labour</i>	<i>29,920</i>
<i>Manufacturing overhead applied</i>	<i>82,280</i>
<i>Total costs to be accounted for</i>	<i>Rs. 189,520</i>

The beginning inventory consisted of 400 units which had been 60% completed during June. In addition to completing these units, the department started and completed another 1,500 units during July and started work on 300 more units which were 70% completed at July 31.

INSTRUCTIONS

- Compute the equivalent full units of production in July. (10)
- Prepare journal entries to record (1) the manufacturing costs charged to the department during July and (2) the transfer of 1,900 completed units to the finished goods warehouse. (10)

SECTION – B

BUSINESS ORGANIZATION & FINANCE (20 MARKS)

Q.4. Mario Valenti owns Valenti Ford, a successful automobile dealership. For 25 years, Valenti has operated the business as a sole proprietorship and has acted as both owner and manager. Now, he is 70 years old and is planning on retiring from active management. However, he wants the dealership to stay in the family; his long-term goal is to leave the business to his two children and five grandchildren. Valenti is wondering whether or not he should incorporate his business. If he were to reorganize Valenti Ford as a corporation, he could then leave an appropriate number of shares of stock to each of his heirs. Otherwise, he could leave the entire business to his heirs to be operated as a partnership. In selecting the appropriate form of business entity, Valenti has formulated the following objective:

- Ownership:** Valenti wants each of his two children to own 25% of the business and each of his five grandchildren to own 10%.
- Continuity of existence:** Valenti wants the business to continue indefinitely, even if one or more of the heirs should die or should no longer want to participate in ownership.
- Management:** When Valenti retires, he plans to give Joe Heinz, a long-time employee, responsibility for managing the business. Although, Valenti wants to keep the ownership of the business in the family, he does not believe that any of his family members have the time and experience to manage the business on a daily basis. In fact, Valenti believes that two of his grandchildren simply have no “business sense,” and he does not want them to participate in the management.
- Income taxes:** Valenti wants to organize the business in a manner which will minimize the income taxes to be paid by his heirs. He expects that all the earnings of the business will normally be distributed to its owners on an annual basis.
- Owners’ Liability:** Valenti recognizes that an automobile dealership might become liable for vast amounts of money, if, improper repairs caused a customer’s car to be involved in an accident. Although, the business carries insurance, he wants to be sure that his heirs’ equity in the business

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does not place their personal assets at risk in the event of business losses.

INSTRUCTIONS

- a. For each of the five numbered paragraphs above, explain how the choice of business organization (partnership or corporation) relates to Valenti's stated objective. (10)
- b. In light of your analysis in part a, above, would you recommend that Valenti reorganize Valenti Ford as a corporation, or leave the business unincorporated so that his heirs may operate it as a partnership? (10)

- Q.5.** The year-end balance sheet of LaserTech, Inc., includes the following stockholders' equity section (with certain details omitted):

Stockholders' equity:

Rs. 8 cumulative preferred stock, Rs. 100 par value, callable at Rs. 103,200,000

Shares authorized		Rs. 6,000,000
<i>Common stock, Rs. 2 par value, 5,000,000 shares authorized:</i>		
Issued	Rs. 3,600,000	
Subscribed	<u>1,400,000</u>	5,000,000
<i>Additional paid-in capital:</i>		
Preferred	Rs. 240,000	
Common (including subscribed shares)	<u>25,000,000</u>	25,240,000
Retained Earnings		3,690,000
Total stockholders' equity		<u>Rs. 39,930,000</u>

Assets of the corporation include **subscriptions receivable, Rs. 5,600,000.**

INSTRUCTIONS

On the Basis of this information, answer the following questions and show any necessary supporting computations. (20)

- a. How many shares of preferred stock have been issued?
- b. What is the total annual dividend requirement on the outstanding preferred stock?
- c. What was the average price per share received by the corporation for its common stock, including shares subscribed?
- d. What is the average amount per share that subscribers to common stock have yet to pay on their subscriptions?
- e. What is the total amount of legal capital, including shares subscribed?
- f. What is the total paid-in capital, including shares subscribed?
- g. What is the book value per share of common stock? (Assume no dividends in arrears.)
- h. Total dividends of Rs. 780,000 were declared on the preferred and common stock during the year, and the balance of retained earnings at the beginning of the year was Rs. 2,302,000. What was the amount of net income for the year?

SECTION – C

AUDITING

- Q.6.** Define **ANY TEN** of the following: (2 x 10 = 20)
1. Compliance Audit
 2. Standard unqualified opinion
 3. Public Company Accounting Oversight Board
 4. Qualified Opinion
 5. Adequate disclosure
 6. Internal Control
 7. Indirect financial interest
 8. Joint closely held investment
 9. Audit committee
 10. Independence
 11. Inspection
 12. Direct financial Interest
 13. Ethics Rulings

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14. Attest engagement

15. Integrated Audit

SECTION – D **INCOME TAX**

- Q.7.** ABC (Pvt) Ltd Company has filed Income Tax Return u/s 114 of Income Tax Ordinance 2001 for tax year 2010 showing taxable income at Rs. 500,000. Tax payable has been calculated @30% at Rs.150,000. Tax credit under section 147 has been claimed at Rs.10,000. During the course of Audit Income Tax Department discovers the following:-
- The Balance Sheet shows Cash loan from director amounting to Rs. 100,000.
 - The tax payer has provided the proof of only Rs. 5000/ of tax credit claimed u/s 147.
 - The donation of Rs. 50,000 has been made to an organization not covered by exemptions under the Second Schedule of Income Tax Ordinance 2001.

You are required to do the following:-

- Identify the section of Income Tax Ordinance 2001 under which the department may take the remedial measure to calculate the correct figure of taxable Income **(10)**
 - Calculate the correct amount of Taxable Income and the tax payable. **(10)**
- Q.8.** Account for corporate income taxes: explain the effects of these taxes on before-tax profits and losses? **(20)**

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- (a) Rs. 11,650
(b) Rs. 8,630
(c) Rs. 11,380
(d) None of these
- (v) In an *after-closing* trial balance prepared at May 31, the total of credit column will be:
(a) Rs. 26,620
(b) Rs. 22,200
(c) Rs. 13,830
(d) None of these
- (vi) Before month-end adjustments are made, the January 31 trial balance of Hanan Excursions contains revenue of Rs. 9,300 and expenses of Rs. 5,780. Adjustments are necessary for following items:
Portion of prepaid rent applicable to January, Rs. 900
Depreciation for January, Rs. 480
Portion of fees collected in advance earned in January, Rs. 1,100
Fees earned in January not yet billed to customers, Rs. 650
Net Income for Hanan Excursions' January income statement is:
(a) Rs. 3,520
(b) Rs. 5,690
(c) Rs. 2,590
(d) None of these
- (vii) On December 31, Elite Property Management made an adjustment entry to record Rs. 300 management fees earned but not yet billed to Hayat's, a client. This entry was reversed on January 1. On January 15, Hayat's paid Elite Rs. 1,200, of which Rs. 900 was applicable to the period January 1 through January 15. The Journal Entry made by Elite to record receipt of the Rs. 1,200 on January 15 includes:
(a) A credit to Management Fees Earned of Rs. 1,200
(b) A credit to Accounts Receivable of Rs. 300
(c) A debit to Management Fees Earned of Rs. 300
(d) A credit to Management Fees Earned of Rs. 900.
(e) None of these
- (viii) Pisces Market presently has current assets totaling Rs. 300,000 and a current ratio of 2.5 to 1. Compute the current ratio immediately *after* Pisces pays Rs. 30,000 of its accounts payable
(a) 3 to 1
(b) 3.33 to 1
(c) 2.2 to 1
(d) 2.25 to 1
(e) None of these
- (ix) Ahsan Brothers, a retail store, purchased 100 television sets from Lucky Electronics on account at a cost of Rs. 200 each. Lucky offers credit terms of 2/10, n/30. Ahsan Brothers determines that 10 of these television sets are defective and returns them to Lucky for full credit. In recording this return, Ahsan Brother will:
(a) Debit Sales Returns and Allowances
(b) Debit Accounts Payable, Rs. 1,960
(c) Debit Cost of Goods Sold, Rs. 1,960
(d) Credit Inventory, Rs. 2000
(e) None of these
- (x) Which of the following is NOT an accurate statement?
(a) Expressing the various items in the income statement as a percentage of net sales illustrates the use of component percentages.
(b) An increase in the market price of bonds causes the yield rate to decline.

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- (c) A high debt ratio is viewed favorably by long-term creditors as long as the number times interest earned is at least 1.
- (d) In measuring the Rupee or percentage change in quarterly sales or earnings, it is appropriate to compare the results of the current quarter with those of the same quarter in the preceding year.
- (e) None of these
- (xi) Which of the following actions will improve the "quality" of earnings, even though the total amount of earnings may not increase?
- (a) Increasing the uncollectable accounts expense from 1% to 2% of net credit sales to reflect current conditions
- (b) Switching from an accelerated method to the straight-line method for depreciating assets
- (c) Changing from LIFO to the FIFO method of inventory valuation during a period of rising prices
- (d) Lengthening the estimated useful lives of depreciable assets
- (e) None of these
- (xii) Ahmad Corporation's net income was Rs. 400,000 in 1993 and Rs.160,000 in 1994. What percentage increase in net income must Ahmad achieve in 1995 to offset the decline in profits in 1994?
- (a) 60%
- (b) 150%
- (c) 600%
- (d) 67%
- (e) None of these
- (xiii) Of the following situations, which would be considered the most favorable for the common stockholders?
- (a) The company stops paying dividends on its cumulative preferred stock, the price-earnings ratio of common stock is low
- (b) Equity ratio is high; return on assets exceeds the cost of borrowing
- (c) Book value per share of common stock is substantially higher than market value per share; return on common stockholder's equity is less than the rate of interest paid to creditors
- (d) Equity ratio is low; return on assets exceeds the cost of borrowing
- (e) None of these
- (xiv) During 1994, Bilal Corporation had sales of Rs. 4,000,000, all on credit. Accounts receivable averaged Rs. 400,000 and inventory levels averaged Rs. 250,000 throughout the year. If Bilal's gross profit rate during 1994 was 25% of net sales, which of the following statements are correct? (Assume 360 days in a year.)
- (a) Bilal "turns over" its accounts receivable more times per year than it turns over its average inventory.
- (b) Bilal collects the amount of its average accounts receivable in about 36 to 37 days.
- (c) Bilal's operating cycle is 66 days
- (d) The quality of Bilal's working capital would improve if the company could reduce its inventory and receivables turnover rates
- (e) All of these
- (xv) On April 1, 1993, XYZ Construction paid Rs. 10,000 for equipment with an estimated useful life of 10 years and a residual value of Rs. 2000. The company uses the double-declining balance method of depreciation and applies the half-year convention to fractional periods. In **1994**, the amount of depreciation expense to be recognized on this equipment is:
- (a) Rs. 1,600
- (b) Rs. 1,440
- (c) Rs. 1,280
- (d) None of these
- (xvi) Delta Company sold a plant asset that originally had cost Rs. 50,000 for Rs. 22,000 cash. If Delta correctly reports a Rs. 5000 gain on this sale, the **accumulated depreciation** on the asset at the date of sale must have been:

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- (a) Rs. 33,000
(b) Rs. 28,000
(c) Rs. 23,000
(d) None of these
- (xvii) In which of the following situations would Aashi Industries include goodwill in its balance sheet?
- (a) The fair market value of Aashi's net identifiable assets amounts to Rs. 2,000,000. Normal earnings for this industry are 15% of net identifiable assets. Aashi's net income for the past five years has averaged Rs. 390,000.
(b) Aashi spent Rs. 800,000 during the current year for research and development for a new product which promises to generate substantial revenue for at least 10 years.
(c) Aashi acquired Star Electronics at a price in excess of the fair market value of Star's net identifiable assets.
(d) A buyer wishing to purchase Aashi's entire operation has offered a price in excess of the fair market value of Aashi's net identifiable assets.
(e) None of these
- (xviii) When a partnership is formed,
- (a) A written partnership agreement, signed by all partners, must be filed in the state in which the partnership is formed.
(b) Each partner may bind the business to contracts and may withdraw an unlimited amount of assets from the partnership, unless these rights are limited in the partnership contract.
(c) Each members of the partnership is entitled to participate equally in the earnings of and management of the partnership, unless the partnership is a limited partnership.
(d) The partnership must file an income tax return and pay income taxes on its net income.
(e) None of these
- (xix) Omar and Rizwan have capital account balances of Rs. 80,000 and Rs. 100,000, respectively, at the beginning of 1994. Their partnership agreement provides for interest on beginning capital account balances, 10%; salaries to Omar, Rs. 30,000, and to Rizwan, Rs. 24,000; residual profit or loss dividend 60% to Omar and 40% to Rizwan. Partnership net income for 1994 is Rs. 62,000. Neither partner made any additional investment in the partnership during 1992, but Omar withdrew Rs. 1,500 monthly and Rizwan withdrew Rs. 1,000 monthly throughout 1994. The partnership balance sheet at December 31, 1994, should include:
- (a) Capital, Omar, Rs. 94,000
(b) Capital, Omar, Rs. 112,000
(c) Capital, Rizwan, Rs. 30,000
(d) Total partner's equity, Rs. 242,000
(e) None of these
- (xx) When a partnership is liquidated:
- (a) Any cash distribution to partners is allocated according to the profit and loss sharing ratios
(b) Cash distributed to each partner in an amount equal to his or her capital account balance prior to the sale of partnership assets.
(c) Any gain or loss on disposal of partnership assets is divided among the partners according to their relative capital account balances.
(d) A partner who maintained a credit balance in his or her capital account prior to liquidation may end up owing cash to the partnership if partnership assets are sold at a loss.
(e) None of these.

PART-II

- NOTE:**(i) **PART-II** is to be attempted on separate Answer Book.
(ii) Attempt **ONLY FIVE** questions from **PART-II**. **Question No. 2 is COMPULSORY**. Select any **TWO** questions from each of the **SECTIONS – A and B**.
(iii) **Extra attempt of any question or any part of the attempted question will not be considered.**

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Q. 2) A trial balance and supplementary information needed for adjustments at September 30, 2004 are shown on the following page for Cinepax Stage & Theater. The company follows a policy of adjusting and closing its accounts at the *each of the month*. (20)

CINEPAX STAGE & THEATER
Trial Balance
September 30, 2004

<i>Cash</i>	Rs. 17,500	
<i>Prepaid film rental</i>	65,000	
<i>Land</i>	75,000	
<i>Building</i>	210,000	
<i>Accumulated Depreciation: building</i>		Rs. 6,125
<i>Projection equipment</i>	90,000	
<i>Accumulated Depreciation: Projection equipment</i>		7,500
<i>Notes Payable</i>		200,000
<i>Accounts payable</i>		8,500
<i>Unearned admissions revenue</i>		5,200
<i>Ahmad Khan, capital</i>		200,925
<i>Ahmad Khan, drawing</i>	10,500	
<i>Admissions revenue</i>		68,750
<i>Salaries expenses</i>	21,250	
<i>Light and power expense</i>	<u>7,750</u>	
	<u>Rs.497,000</u>	<u>497,000</u>

- a. Rental expense for the month is Rs. 42,275, all of which had been paid in advance.
- b. The building is being depreciated over a period of 20 years (240 months).
- c. The protection equipment is being depreciated over a period of 5 years (60 months).
- d. No entry has yet been made to record interest payable accrued during September. At September 30, accrued interest totals Rs. 1,800.
- e. When tickets are sold to future performances, Cinepax credits its Unearned Admissions Revenue account. No entry has yet been made recording that Rs. 3,650 of these advance ticket sales were for performances given during September.
- f. Cinepax receives a percentage of the revenue earned by Variety Corp., the concessionaire operating the snack bar. For snack bar sales in September, Variety Corp., owes Cinepax Rs. 6,200, payable on October 10. No entry has yet been made to record this revenue. (Credit Concessions Revenue)
- g. Salaries earned by employees, but unpaid as of September 30, amount to Rs. 3,750. No entry has yet been made to record this liability and expense.

INSTRUCTIONS

Prepare:

- a. An income statement, a statement of changes in owner’s equity, and a balance sheet.
- b. The adjusting and closing entries required at month’s end.

SECTION – A

Q.3. Listed below are 12 technical accounting terms: (12)

<i>Accounting period</i>	<i>Depreciation</i>	<i>Net income</i>
<i>Accrual basis of accounting</i>	<i>Expenses</i>	<i>Realization</i>
<i>Cash basis of accounting</i>	<i>Income statement</i>	<i>Revenue</i>
<i>Closing entries</i>	<i>Matching</i>	<i>Conservatism</i>

Each of the following statements may (or may not) describe one of these technical terms. For each statement, indicate the accounting term described, or answer “None” if the statement does not correctly describe any of the terms.

- a. The span of time covered by an income statement.
- b. An increase in owner’s equity as a result of earning revenue and incurring expenses.
- c. An accounting concept intended to avoid overstatement of financial strength or earnings.

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- d. The generally accepted accounting principle used in determining when expenses should be offset against revenue.
- e. The generally accepted accounting principle used in determining when to recognize revenue.
- f. Recognizing revenue when it is earned and expenses when the related goods or services are used in the effort to obtain revenue.
- g. The systematic allocation of the cost of a long-lived asset, such as a building or equipment, to expense over the useful life of the asset.
- h. The procedures for transferring the balances of the revenue, expense, Income Summary, and owner drawing accounts into the owner's capital account.

Q.4. Explain the double- entry system of accounting. **(12)**

Q.5. When do accountants consider revenue to be realized? What basic question about recording revenue in accounting records is answered by the *realization principle*? **(12)**

SECTION – B

Q.6. The CDE partnership is being liquidated. After all liabilities have been paid and all assets sold, the balances of the partners' capital accounts are as follows: Ahmad, Rs. 42,000 credit balance; Jawad, Rs. 16,000 *debit* balance; Ali, Rs. 53,000 credit balance. The partners share profits and losses: Ahmad, 10%; Jawad, 60%; Ali, 30%.

(18)

- a. How should the available cash (the only remaining asset) be distributed if it is impossible to determine at this date whether Jawad will be able to pay Rs. 16,000 he owes to the firm? Draft the journal entry to record payment of all available cash at this time.
- b. Draft the journal entries to record a subsequent partial payment of Rs. 13,000 to the firm by Jawad, and the distribution of this cash. Prepare a schedule (similar to the one prepared in part a) showing computation of amount to be distributed to each partner.

Q.7. During the current year, East-West Airlines earned net income of Rs. 50 million from total revenue of Rs. 350 million. The company services primarily cities in Pakistan but also has service to several foreign countries. Three events are described below, along with the treatment accorded to these events in the company's financial statements. **(18)**

This case focuses upon the question of "materiality". Therefore, some items described below may be viewed as *immaterial*.

- a. During the year, the company purchased Rs. 5 million in spare parts to be used in aircraft maintenance. All of these purchases were charged immediately to Maintenance Expense. No adjusting entry was made at year-end to reflect approximately Rs. 50,000 in spare parts remaining on hand, because the amount was considered immaterial.
- b. The company's internal auditors discovered that the vice president of in-flight services had embezzled Rs. 100,000 from the airlines by authorizing payments to a fictitious supplier of in-flight meals. The vice president was fired, and criminal charges currently are pending against her, as is a civil lawsuit to recover the embezzled funds. In the income statement, this Rs. 100,000 loss was deducted from revenue as part of the Flight Operations Expenses, which totaled more than Rs. 200 million. No special disclosures were made, because the amount of the embezzlement was considered immaterial.
- c. Shortly after year-end, the company suspended all flight operations to a particular foreign country as a result of political unrest. These flights provided approximately 2% of the company's revenue and net income during the current year. Cancellation of service to this country was not disclosed in notes to the current year's financial statements, because operations of the current year were not affected.

INSTRUCTIONS

Explain whether in your own judgment you concur or disagree with the treatment accorded to these events by East-West in its current financial statements. If you recommend a different financial statement presentation, explain why you do. In each case, indicate whether or not you consider the item "material", and explain your reasons. Consider each of these three situations *independently* of the others.

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Q.8. At the end of the year, the following information was obtained from the accounting records of the Agility Office Products:

<i>Sales (all on credit)</i>	<i>Rs. 2,700,000</i>
<i>Cost of goods sold</i>	<i>1,755,000</i>
<i>Average Inventory</i>	<i>351,000</i>
<i>Average accounts receivable</i>	<i>300,000</i>
<i>Interest expense</i>	<i>45,000</i>
<i>Income taxes</i>	<i>84,000</i>
<i>Net income</i>	<i>159,000</i>
<i>Average investment in assets</i>	<i>1,800,000</i>
<i>Average stockholders' equity</i>	<i>795,000</i>

INSTRUCTIONS

a. From the information given, compute the following:

1. Inventory Turnover
2. Accounts receivable turnover
3. Total operating expenses
4. Gross profit percentage
5. Return on average stockholders' equity
6. Return on average assets

b. Agility has an opportunity to obtain a long-term loan at an annual interest rate of 12% and could use this additional capital at the same rate of profitability as indicated above. Would obtaining the loan be desirable from the viewpoint of the stockholders? Explain. **(18)**

Q.9. A tractor which cost Rs. 30,000 had an estimated useful life of 5 years and an estimated salvage value of Rs. 10,000. Straight-line depreciation was used. Give the entry (in general journal form) required by each of the following alternative assumptions:

(18)

- a. The tractor was sold for cash of Rs. 19,500 after 2 years' use.
- b. The tractor was traded in after 3 years on another tractor with a fair market value of Rs. 37,000. Trade-in allowance was Rs. 21,000. (Recorded any implied gain or loss.)
- c. The tractor was scrapped after 7 years' use. Since scrap dealers were unwilling to pay anything for the tractor, it was given to a scrap dealer for his services in removing it.



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR
RECRUITMENT TO POSTS IN BPS-17 UNDER
THE FEDERAL GOVERNMENT, 2010

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-II

TIME ALLOWED: (PART-I) 30 MINUTES MAXIMUM MARKS:20
(PART-II) 2 HOURS & 30 MINUTES MAXIMUM MARKS:80

- NOTE: (i) First attempt PART-I (MCQ) on separate Answer Sheet which shall be taken back after 30 minutes.
(ii) Overwriting/cutting of the options/answers will not be given credit.

PART – I (MCQ)
(COMPULSORY)

Q.1. Select the best option/answer and fill in the appropriate box on the Answer Sheet. (20)

- (i) Which of the following is a clearing account?
(a) manufacturing summary (b) manufacturing overhead (c) accumulated depreciation
(d) accounts payable (e) None of these
- (ii) Which one is not a feature of process costing?
(a) classification of costs into fixed and variable (b) emergence of more than one product
(c) equivalent production (d) duration of work is long
(e) None of these
- (iii) The process loss not allowed to affect the cost of goods units is:
(a) normal loss (b) standard loss (c) abnormal loss (d) material loss (e) None of these
- (iv) Which stock control method concentrates efforts on selected items of inventory?
(a) Periodic inventory system (b) perpetual inventory system (c) inventory turnover ratio
(d) ABC analysis (e) None of these
- (v) Continuous stock taking is a part of:
(a) Periodic inventory (b) annual stock taking (c) perpetual inventory
(d) ABC analysis (e) None of these
- (vi) Agriculture, forestry, hunting and fishing is included in:
(a) Genetic industry (b) Extractive industry (c) Manufacturing industry
(d) Construction industry (e) None of these
- (vii) The minimum number of directors in unlisted public limited company is:
(a) 5 (b) 10 (c) 3 (d) 7 (e) None of these
- (viii) In Pakistan chamber of commerce and industry is registered with:
(a) Registrar of firms' (b) registrar of companies' (c) registrar of societies
(d) registrar of clubs (e) None of these
- (ix) A co-operative society can be formed in Pakistan under Co-operative Societies Act:
(a) 1904 (b) 1912 (c) 1925 (d) 1942 (e) None of these
- (x) Which of the following partnership can be formed for indefinite period?
(a) limited partnership (b) joint venture (c) partnership at will
(d) particular partnership (e) None of these
- (xi) Repetition of client clerical routines such as footing and posting is called:
(a) vouching (b) reperformance (c) scanning (d) tracing (e) None of these
- (xii) The direction of testing from the source document to the accounting record is called:
(a) vouching (b) sampling (c) tracing (d) verification (e) None of these
- (xiii) Which of the following internal controls is usually studied and evaluated in detail?
(a) control over salesmen performance (b) control over machine idle time
(c) quality control over production (d) control over stores and pricing (e) None of these
- (xiv) Which of the following liability of an auditor has occurred when auditor failed to study articles of association and the directors paid dividend out of capital?
(a) negligence (b) misfeasance (c) libel (d) breach of contract (e) None of these
- (xv) Visual examination of accounting record and schedules to identify unusual items or inconsistencies is called:
(a) observation (b) scanning (c) inquiry (d) inspection (e) None of these
- (xvi) Which of the following is revenue expenditure?
(a) cost of feasibility report (b) legal expenses of income tax appeal
(c) cost of issuance of additional capital (d) cost of preparation of partnership deed
(e) None of these
- (xvii) Which of the following is not capital asset?
(a) shares of a company (b) jewellery (c) coin (d) copy rights (e) None of these

ACCOUNTANCY AND AUDITING, PAPER-II

- (xviii) Ground rent is an income from:
(a) agriculture (b) salary (c) business (d) other sources (e) None of these
- (xix) Which of the following is admissible expenditure in respect of income from business?
(a) fines and penalties (b) income tax (c) excise duty
(d) cost of permanent sign-board (e) None of these
- (xx) Which one of the following is an agricultural income?
(a) income from poultry farm (b) income from cultivation of rice
(c) income from sale of water for irrigation (d) royalty income from mines (e) 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**, selecting **ONE** question from **EACH SECTION A,B,C and D**. All questions carry **EQUAL** marks.
 - (iii) Extra attempt of any question or any part of the attempted question will not be considered.
 - (iv) Use of simple calculator is allowed.

SECTION-A (Cost Accounting)

Q 2. The Constant Company had the following inventories of the beginning and end of January. **(20)**

	January 1	January 31
Material	Rs. 10000	Rs.38000
Work-in-process	?	110000
Finished goods	50000	150000

During January, the cost of material purchased was Rs. 138000 and the factory overhead of Rs. 90000 was applied at the rate of 50 % of Direct Labour Cost. In January cost of goods sold was Rs. 200000.

Required: Prepare ledger accounts showing the flow of the cost of goods manufactured and sold.

Q 3. ZEE Company produces digital watches in large quantities. The company has two departments, assembly and testing. The manufacturing costs in the assembly department during January were direct material cost Rs.36000; labour cost Rs. 23750; and overhead Rs.14250. Work on 1000 watches was started in assembly department during January, but only 900 watches were fully completed. All the parts had been placed in process, but rest of the watches are one-half complete as to conversion cost.

Required: Prepare cost of production report for assembly department **(20)**

SECTION – B (Auditing)

- Q.4.** What are the advantages and limitations of auditing? **(20)**
- Q.5.** What is the difference between investigation and auditing? **(20)**

SECTION – C (Income Tax)

Q.6. Define the following: **(20)**
(i) business (ii) non-profit organisation (iii) person
(iv) public company (v) financial institution

Q.7. The following information is available in respect of Mr. Abdullah for tax year ending on June 30, 2009 **(20)**

Basic salary	Rs.300000
Dearness allowance	25000
Computer allowance	30000
Medical facility by employer	10000
Gas and electricity allowance	5000
Salary of watch man paid by employer	36000
Profit on sale of shares of private limited company	12000
Leave fare assistance	45000
Employer contribution to provident fund	35000
Profit on sale of shares of listed public limited company	9000

Calculate taxable income of Mr. Abdullah

SECTION – D (Business Organization and Finance)

- Q.8.** What is the difference between unlisted public limited company and cooperative society? **(20)**
- Q.9.** What is memorandum of association? What are its contents? **(20)**



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR
RECRUITMENT TO POSTS IN BPS-17 UNDER
THE FEDERAL GOVERNMENT, 2010

Roll Number

ACCOUNTANCY AND AUDITING, PAPER-I

TIME ALLOWED: (PART-I) 30 MINUTES MAXIMUM MARKS:20
(PART-II) 2 HOURS & 30 MINUTES MAXIMUM MARKS:80

- NOTE:** (i) First attempt PART-I (MCQ) on separate Answer Sheet which shall be taken back after 30 minutes.
(ii) Overwriting/cutting of the options/answers will not be given credit.

PART – I (MCQ)
(COMPULSORY)

Q.1. Select the best option/answer and fill in the appropriate box on the Answer Sheet. (20)

- (i) Which of the following is an example of internal transaction?
(a) cash received from debtor (b) goods sold on credit (c) supplies consumed in the office
(d) salaries paid to employees (e) None of these
- (ii) A Company's reported opening balance of accumulated depreciation is Rs.150. The closing balance of accumulated depreciation is Rs.125. The current year depreciation is Rs.175. The depreciation on disposed assets is:
(a) Rs.150 (b) Rs.200 (c) Rs.250
(d) Rs.100 (e) None of these
- (iii) Which of the following is an example of non-exchange transaction?
(a) goods lost by fire (b) electric charges paid (c) machinery purchased on credit
(d) carriage paid on furniture (e) None of these
- (iv) A Company receives 40 % of monthly sales and 50% in the following month and rest is received in third month. The sales for January are Rs. 20; February Rs. 30 and March Rs. 40. The collection for March is:
(a) Rs.27 (b) Rs.30 (c) Rs.33
(d) Rs.36 (e) None of these
- (v) The time limit for payment of dividend for a listed public limited company is:
(a) 30 days (b) 45 days (c) 60 days
(d) 90 days (e) None of these
- (vi) The time limit for payment of dividend for an unlisted limited company is:
(a) 90 days (b) 60 days (c) 45 days
(d) 30 days (e) None of these
- (vii) As per Companies Ordinance 1984 a listed public limited company is bound to prepare its financial statements on:
(a) yearly basis (b) half-yearly basis (c) quarterly basis
(d) daily basis (e) None of these
- (viii) As per Companies Ordinance 1984 loose tools are recorded under the head of:
(a) current assets (b) fixed assets (c) long-term investment
(d) long-term deposits (e) None of these
- (ix) A Company reports stock velocity 30 days. Creditors' velocity is 20 days. The debtors' velocity is 15 days. The operating cycle of the company is:
(a) 25 days (b) 50 days (c) 45 days
(d) 65 days (e) None of these
- (x) Left side of an account means the word debit is described as:
(a) noun (b) pronoun (c) verb
(d) adverb (e) None of these
- (xi) A company reports stock velocity 30 days. The debtors' velocity is 20 days. Creditors' velocity is 25 days. The operating cash cycle of the company is:
(a) 75 days (b) 55 days (c) 50 days
(d) 25 days (e) None of these
- (xii) In Pakistan a commercial bank can be formed and is registered under the:
(a) Companies Ordinance 1984 (b) Banking Companies Ordinance 1962
(c) State Bank of Pakistan Act 1956 (d) Modaraba Companies Ordinance 1980 (e) None of these

ACCOUNTANCY AND AUDITING, PAPER-I

- (xiii) In Pakistan a commercial bank prepares its annual accounts under the:
(a) Companies Ordinance 1984 (b) Banking Companies Ordinance 1962
(c) State Bank of Pakistan Act 1948 (d) Modaraba Companies Ordinance 1980 (e) None of these
- (xiv) A Company pays income tax at the rate of 40%. The net income after tax is Rs. 24. The net income before tax is:
(a) Rs.40 (b) Rs.80 (c) Rs.24
(d) Rs.16 (e) None of these
- (xv) In Pakistan insurance company can be formed and is registered under the:
(a) Companies Ordinance 1984 (b) Banking Companies Ordinance 1962
(c) Insurance Ordinance 2000 (d) Modaraba Companies Ordinance 1980 (e) None of these
- (xvi) The working of the insurance company is governed by the:
(a) Companies Ordinance 1984 (b) Banking Companies Ordinance 1962
(c) Insurance Ordinance 2000 (d) Modaraba Companies Ordinance 1980 (e) None of these
- (xvii) Which of the following transactions would result in an increase in the current ratio?
(a) paid cash for a one-year insurance policy
(b) collected an account receivable
(c) used the allowance method to write-off an uncollectible account
(d) borrowed money by issuing a long-term note
(e) None of these
- (xviii) A and B are partners with capital of Rs. 8000 and Rs. 6000 respectively. They admit C as partner with 1/4 share in the profits of the firm. C brings Rs. 10000 as his share of capital. The share of A's goodwill is:
(a) 16000 (b) 8000 (c) 4000
(d) 2000 (e) None of these
- (xix) A, B and C are partners in a partnership firm. The profit sharing ratio was 3:2:1. The goodwill of the firm was valued at Rs.12000. They change their profit sharing ratio as 4:4:2. The value of gain or loss of goodwill to A is:
(a) Gain Rs. 1200 (b) Loss Rs.1200 (c) Gain Rs.800
(d) Loss Rs.800 (e) None of these
- (xx) A and B are the partners in a firm. They admit C into the firm. The new ratio is agreed to be 5:3:4. A and B made equal sacrifice to accommodate C. The old ratio of B is:
(a) 14/24 (b) 15/24 (c) 9/24
(d) 10/24 (e) None of these

PART – II

- NOTE:**
- (i) **PART-II** is to be attempted on the separate **Answer Book**.
- (ii) Attempt **ONLY THREE** questions from **PART-II** including **QUESTION NO. 2** which is **COMPULSORY** having 30 marks. Rest of the questions carry **25 MARKS EACH**.
- (iii) Extra attempt of any question or any part of the attempted question will not be considered.

Q 2: Write the short note on the following?

(3 each)

- What is meant by event in accounting?
- What is the meaning of equity?
- Define separate entity concept.
- Narrate the meaning of conservatism.
- Differentiate among provision, reserve and fund.
- What is meant by footing?
- What is amortisation?
- What is controlling account?
- Define contingent assets.
- What is the meaning of sales term 1/10 E.O.M?

Q 3: The Charitable Trust had the following balance sheet as on December 31, 2009.

(25)

Liabilities	Rs.	Assets	Rs.
Salaries payable	3000	Cash	1500
Subscription received in advance	500	Equipment	8000
Capital fund	11200	Stock of medicine	1600
Add life membership fee	2500	Furniture	6000
Add surplus	1900	Subscription due and receivable	2000
	19100		19100

ACCOUNTANCY AND AUDITING, PAPER-I

The accompanying income and expenditure account was the following:

Income and Expenditure Account for the year ended December 31, 2009			
Expenditure	Rs.	Income	Rs.
To salaries	35000	By entrance fee	300
To cost of medicine used	6700	By subscription	36100
To depreciation of equipment	600	By miscellaneous receipts	150
To miscellaneous expenses	1500	By profit on sale of furniture	200
To surplus	1900	By grant from government	8950
	45700		45700

Adjustments: The equipment stood at Rs.6000; subscription due and receivable totalled Rs.2500; whereas subscription already received for next year were Rs.700; closing stock of medicine Rs.1100. Prepare receipts and payments account for the year 2009.

Q 4: Below is given the balance sheet of Sunlight Company Limited as on 31st December, 1988.

(25)

Liabilities	Rs.	Assets	Rs.
Share capital	200000	Fixed assets	550000
Reserve fund	150000	Stock in trade	250000
Bank overdraft	200000	Liquid assets	150000
Sundry creditors	400000		
	950000		950000

Bank overdraft is a permanent arrangement made with the bank. Calculate current ratio; quick ratio; debt-equity ratio; fixed assets ratio; and proprietary ratio.

Q 5: Following are summarised balance sheets of a company. Prepare a Comparative balance sheet.

(25)

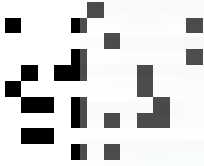
Liabilities	2004	2005	Assets	2004	2005
	Rs.	Rs.		Rs.	Rs.
Ordinary capital Rs.10	38000	46000	Fixed assets	40000	45000
Reserves	5000	5400	Investment	4000	8000
Loans	600	1600	Current assets	1000	2000
Current liabilities	1400	2000			
	45000	55000		45000	55000

Q 6: The following figures are taken from the books of Sheen Company Limited as on December 31, 2009.

(25)

	Rs.		Rs.
Opening stock	75000	Purchases returns	10000
Purchases	245000	Sales	340000
Wages	30000	Discount	3000
Carriage	950	Profit and loss	15000
Furniture	17000	Share capital	100000
Salaries	7500	Creditors	17500
Rent	4000	General reserve	15500
Trade expenses	7050	Bills payable	7000
Dividend paid	9000		
Debtors	27500		
Plant and machinery	29000		
Cash at bank	46200		
Patents	4800		
Bill receivables	5000		
	508000		508000

Adjustments: Closing stock was valued at retail price Rs.105600 which was 20% higher than cost price. Provide for income tax Rs.19827. Depreciate plant and machinery at 15%; furniture at 10%; and patents at 5%. There was outstanding rent Rs.800 and salaries Rs.900. Make provision for bad debts Rs.510. Provide for manager remuneration at 10% of net profit before tax. The directors proposed dividend at 10% on paid up capital. Prepare trading and profit and loss account for the year ended December 31, 2009 and a balance sheet as at that date.



FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS
IN BPS – 17 UNDER THE FEDERAL GOVERNMENT, 2008.

Roll Number

ACCOUNTANCY & AUDITING
TIME ALLOWED: THREE HOURS MAXIMUM MARKS:100

PAPER - 1

PART – I (MCOS)

Q.1 Select the best option/answer and fill in the appropriate box on the Answer Sheet.

1. Identify the item that is likely to serve as source document:

- a. Trial balance
- b. Income statement
- c. Balance sheet
- d. Invoice from supplier

2. Identify which of the normal balances (in parentheses) assigned to the following accounts is incorrect:

- a. Office supplies (Debit)
- b. Cash (Debit)
- c. Wages payable (Credit)
- d. Free earned (Debit)

3. The formula $(\text{Cost less salvage value} / \text{Total capacity in units} \times \text{units extracted})$ refers to which depreciation method:

- a. Straight line
- b. Units of production
- c. Declining balance
- d. Depletion

4. While passing adjusting entries for what type of transactions expenses are debited and assets are credited:

- a. Accrued revenue
- b. Accrued expenses
- c. Declining balance
- d. Depletion

5. Of the following statements, which one is untrue for the corporate form of organization:

- a. It is a separate legal entity
- b. It has a limited life
- c. Income that is distributed to owners is usually taxed twice
- d. Ownership rights can be easily transferred

6. For each transaction, double-entry accounting requires which of the following:

- a. Debits to asset accounts must create credits to liability or equity accounts
- b. A debit to a liability account must create a credit to an asset accounts
- c. Total debits must equal total credits

7. When costs are rising, which method reports higher net income:

- a. LIFO
- b. FIFO
- c. Average
- d. The most recent purchase price

8. A transaction caused Rs. 20,000 decrease in both total assets and total liabilities. This transaction could have been:

- a. Purchase of an asset for Rs. 20,000 cash
- b. Asset costing Rs. 20,000 destroyed by fire
- c. Repayment of Rs. 20,000 bank loan
- d. Collection of Rs. 20,000 account receivable

9. What percentage of profit a bank has to transfer to statutory reserve until it inflates to paid-up capital of the bank:

- a. 5%
- b. 10%
- c. 20%
- d. 25%

10. Identify the correct answer with regards to depreciation expense:

- a. Is an application of the matching principle?
- b. Is a closing entry?
- c. Usually includes an offsetting credit either to cash or accounts payable.
- d. Is not an adjusting entry?

11. Comparison of a company's financial condition and performance across time is a:

- a. Ration analysis
- b. Horizontal analysis
- c. Vertical analysis
- d. None of these

12. Income and expenditure account in a non trading institution records transaction of:

- a. Revenue nature only
- b. Capital nature only
- c. Both (a) & (b)
- d. Income of revenue nature and expenditure of revenue and capital nature

13. At the time of admission of a new partner, goodwill raised should be written off in:

- a. New profit sharing ratio
- b. Old profit sharing ration
- c. Sacrificing ratio
- d. Gaining ratio

14. A and B are partners in the ratio of 2:1. They admit C for $\frac{1}{4}$ shares who contribute Rs. 3000 for his share of goodwill. Total value of the goodwill of the firm is:

- a. Rs. 3000
- b. Rs. 9000
- c. Rs. 12000
- d. 15000

15. Second hand machinery worth Rs. 10, 000 was purchased, repairing of the machinery cost Rs. 1,000. The machinery was installed by own workers. Wage for this being Rs. 200, the machinery account should be debited for:

- a. Rs. 10,000
- b. Rs. 11,000
- c. Rs. 11,200
- d. None of these

16. If net sales Rs. 100,000 cost of goods sold Rs. 55,000, administrative expenses Rs. 5300, selling expenses Rs. 4375, Interest expense Rs. 500, the operating profit is:

- a. Rs.35325
- b. Rs.45000
- c. Rs.39700
- d. Rs.34825

17. Which of the ratio best reflects a company's ability to meet immediate interest payment?

- a. Debit ratio
- b. Equity ratio
- c. Times interest earned
- d. None of these

18. Identify which items are subtracted from the list amount and not recorded when computing purchase price:

- a. Freight in
- b. Trade discount
- c. Purchase discount
- d. Purchase return

19. Bonus payable only on the maturity of the policy is termed as:

- a. Cash bonus
- b. Reversionary bonus
- c. Interim bonus
- d. Bonus is reduction of premium

20. Rebate on bill discounted (unearned discount) is:

- a. An expense
- b. An income
- c. A liability
- d. An asset

Q.2 Give short answer to the following:

- i. Define each component of accounting equation.
- ii. Identify stakeholders in Insurance Company.
- iii. Identify the meaning of accounting related acronym GAAP.
- iv. Define adjusted trial balance.
- v. Describe financing activities in the context of cash.
- vi. Explain the difference between financing reporting and financial statements.
- vii. Explain salvage value of an asst.
- viii. Define Franchises and licenses
- ix. Explain acronym FOB destination.
- x. Explain accrual accounting system.
- xi. Explain Matching Concept.
- xii. Define Debit Note.
- xiii. Describe re-valuation Accounts.
- xiv. What is meant by interim accounts?
- xv. Bring out the importance of preparing Trial Balance.

Q.3 The Following Balances appeared in the books of X Ltd. As on 31st December 2006.

Debit Balances Rs. Credit Balances Rs.
Building 50,000 Subscribed & Paid up Capital 3,00,000
Purchases 50,451 General Reserve 1,25,000
Manufacturing Exp 1,79,500 Unclaimed Dividends 3,663
Establishment Exp 1,407 Trade Creditors 18,029
General Charges 15,539 Sales 4,91,974
Machinery 10,000 Depreciation Reserve 35,500
Motor Vehicles 7,500 Interest on Investments 4,272
Furniture 250 Profit & Loss A/c (01-01-06) 8,423
Opening Stock 86,029 Staff Provident Fund 18,750
Book Debts 11,690
Investments 1,44,475
Cash 36,120
Director's Fees 900
Interim Dividend 7,500
TOTAL 1,005,611 TOTAL 1,005,611

From these balances and the following information, prepare the company's Balance Sheet as on 31st December, 2006 and its profit and Loss Account for the year on that date:

- The stock on 31st December, 2006 was valued at Rs. 74,340.
- Provide Rs. 5,000 for depreciation on fixed assets, Rs. 3,250 for Managing Director's commission and Rs. 750 for the company's contribution to their staff provident fund.
- Interest accrued on investment amounted to Rs. 1,375.
- A provision of Rs. 4,000 for taxes in respect of profit 2006 is considered necessary.
- The directors propose a final dividend @ 5%

Q.4. The following data are extracted from the published accounts of two companies in an industry:

X CO. Ltd Y CO. Ltd

Rs. Rs.
Sales 16,00,000 15,00,000
Profit after tax 61,500 79,000
Equity Capital 5,00,000 4,00,000
(Rs. 10 per share fully paid)
General Reserve 1,16,000 3,21,000
Long-Term Debts 4,00,000 3,30,000
Creditors 1,91,000 2,74,500
Bank Credit (short term) 30,000 1,00,000
Fixed Assets 7,99,500 7,95,000
Inventories 1,65,500 4,40,500
Other Current Assets 2,72,000 2,26,000

You are required to calculate the following Ratios of both companies;

- Current ratio
- Quick Ratio
- Net profit Ratio
- Stock turn over
- Debt equity ratio

Q.5. Rizwan Company is preparing a cash budget for July. The following estimates were made:

- (a) Expected cash balance, July 1, Rs.5, 000.
- (b) Income tax rate is 40% based on accounting income for the month, payable in the following month.
- (c) Rizwan's customers pay for 50% of their purchase during the month of purchase and the balance during the following month. Bad debts are expected to be 2%
- (d) Merchandise is purchased on account for resale, with 25% of purchases paid for during the month of purchase and the balance paid during the following month.
- (e) Marketing and administrative expenses are all paid in the current month.
- (f) Dividends of Rs.15, 000 are expected to be declared and paid during July.
- (g) Rizwan's desire is to have a minimum month-end cash balance of Rs.5, 000.
- (h) Other budgets include the following estimates:

June (Rs.)	July (Rs.)
Sale (all on account)-----	30,000 40,000
Purchase -----	10,000 15,000
Depreciation Expenses -----	5,000 6,000
Cost of Goods Sold-----	12,000 16,000
Other marketing expenses -----	9,000 10,000

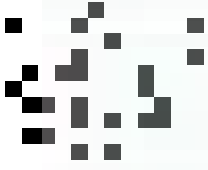
Requirement: Prepare a cash budget for July. (25)

**Q.6. Given below is the Receipts and payments account of the Fan Club for the (25)
year ending 31st December 2006:**

Rs.	Rs.
Balance B/D	10,250
Salaries	6,000
Subscription: Genera expenses	750
2005	400
Drama expenses	4,500
2006	20,000
Newspapers etc.	1,500
2007	600
Municipal taxes	400
Donations	5,400
Charity	3,500
Proceeds of drama tickets	9,500
investments	20,000
Sale of waste paper	450
Electricity	9,000
TOTAL	47,100
TOTAL	47,000

Prepare the Club's income and expenditure account for the year ended on 31st December , 2006 and its balances sheet as on that data, after taking the following information into account:

- a) There are 500 members, each paying an annual subscription of Rs. 50, Rs. 500 being in arrears for 2005.
- b) Municipal taxes amounting to Rs.400 per annum have been paid upto 31st March 2007, and Rs. 500 for salaries is amounting .
- c) Buildings stood in the books at Rs. 50,000 and it is required to write off depreciation at 5 percent.
- d) Three percent interest has accrued on investment for five months.



**FEDERAL PUBLIC SERVICE COMMISSION
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Roll Number

ACCOUNTANCY & AUDITING

TIME ALLOWED: THREE HOURS MAXIMUM MARKS:100

PAPER - II

PART – I (MCO)

Q.1 Select the best option/answer and fill in the appropriate box on the Answer Sheet.

1. A job-order costing system is most appropriate for which of the following types of manufacturing?

- a. Flour milling
- b. Paper manufacturer
- c. Automobile manufacturer
- d. Shipbuilders

2. The predetermined overhead is:

- a. Determined at the end of the accounting period
- b. Determined by dividing the allocation base by the estimated overhead
- c. Used in a normal cost system
- d. Never applied to the work in process at the end of the period

3. Actual overhead costs appear:

- a. On a job cost sheet
- b. In the work in process account
- c. In the financial goods account
- d. In the manufacturing overhead accounts

4. Which of the following is a clearing account?

- a. Manufacturing summary
- b. Manufacturing overhead
- c. Depreciation expense
- d. Accumulated depreciation

5. Which of the following is a benefit of a just-in-time (JIT) inventory system?

- a. Decreased facility-level activity
- b. Reduction in investment funds
- c. Reduction in skilled labour
- d. Reduction in waste

6. The basic concept which recognizes that the cost of internal control should not exceed the benefits expected to be derived is known as:

- a. Reasonable assurance
- b. Management responsibility
- c. Limited liability
- d. Management by exception

7. Which of the following eliminates details from the working trial balance by classifying and summarizing similar or related items?

- a. Lead schedules
- b. Control accounts
- c. Supporting schedules
- d. Accounts analysis

8. Which of the following would be least likely to be considered a control objective?

- a. Safeguarding assets
- b. Detecting management fraud
- c. Accuracy of accounting data
- d. Adherence to managerial policies

9. Which of the following statements is false?

- a. Checklist is a method of internal control for a small business
- b. Two types of audit tests are compliance tests and substantive tests
- c. Materiality and audit risk have direct relationship
- d. Internal control consists of both accounting controls and administrative controls

10. Which of the following is principle purpose of evaluation on internal control?

- a. Compliance with auditing standards
- b. Checking efficiency of management
- c. Issuance of letter of weakness in internal control
- d. Determining nature, timing and extent of substantive audit test
- e. None of these

11. Which of the following assets is not eligible for initial depreciation allowance?

- a. Vehicle for factory labour
- b. Professional books
- c. Vehicle plying for hire
- d. Ship

12. Which of the following is capital asset under the Income Tax Ordinance, 2001?

- a. Shares of a company
- b. Copy rights
- c. Patents rights
- d. Stock of goods

13. Which of the following is an agricultural income?

- a. Royalty income for miners
- b. Income from cultivation of rice
- c. Income from sale of irrigation water
- d. Income from poultry farm

14. Which of the following expenditures is admissible under the head income from Business?

- a. Cost of issue of shares
- b. Wealth tax
- c. Loss by fire
- d. Interest payable to partner

15. Which of the following rental income is exempted from tax under the head Income from Property?

- a. Property income held under trust
- b. Self-occupied residential property
- c. Income from agricultural building
- d. All of these

16. The face values and market value of shares remain the same in case of:

- a. Public limited company
- b. Co-operative society
- c. Single member company
- d. Private limited company

17. Which of the following combination of business makes different types of goods and have in common either raw material or final product?

- a. Horizontal
- b. Vertical
- c. Circular
- d. Lateral

18. The status of Chamber of Commerce and Industry in Pakistanis:

- a. Partnership
- b. Association of persons
- c. Limited company
- d. Club

19. Markets are necessary because:

- a. Demand always exceeds supply
- b. Barter cannot work properly
- c. Competition is encouraged
- d. Buyers and sellers are different people

20. Discovery of business opportunities and arrangement of property, funds, and management ability to set up a business is called:

- a. Incorporation
- b. Integration
- c. Amalgamation
- d. Promotion

PART II

Section-I (Cost Accounting)

Q.2 The Solo Company uses process cost system. Tailoring department of the company produces cotton shirts. All direct materials are introduced at the process. Conversion costs are incurred uniformly throughout the process. The company started 500 shirts. It completed and transferred 400 shirts. At the end of the month 80 shirts were in process. Each shirt in ending work in process was 75% converted. Cost incurred during May; direct materials Rs. 43200 and conversion costs Rs. 92000.

Required: Prepare Cost of Production for the month of May,2007

Q.3 The materials analyst for moderate Company is asked to determine the number of units of material A to order for March delivery. The production schedule calls for 10000 units of this material for January operations; 13500 units for February; and 14800 units for March. On January 1, the inventory shows 10000 units on hand; 14000 units are on order for January delivery; and 13000 units on order for February delivery; and 7500 units minimum reserve inventory is maintained.

Required: Determine the quantity to order for March delivery.

SECTION-II (Auditing)

Q.4 Draw a specimen of unqualified audit report of a public limited company?

Q.5 Differentiate between internal audit and statutory audit?

SECTION-III (Income Tax)

Q.6 What are various sources of income chargeable to tax under the head “Income from other sources”?

Q.7 Mr. Ali is an officer in AB Company Ltd. He supplied information for the year ending June30, 2007 as started below:

- i. Basic salary per month Rs. 25000.
- ii. Dearness allowance Rs. 14000.
- iii. House Rent allowance per month Rs. 12500.
- iv. Gas and electricity allowance Rs. 15000.
- v. Conveyance allowance Rs. 2500 per month.
- vi. Medical allowance Rs. 1500 per month.
- vii. Leave fare assistance including hotel bill Rs. 13000
- viii. Insurance money received on maturity of policy Rs. 150000.
- ix. Income from Khas Deposit Certificate Rs. 500.

Required: Calculate tax liability of Mr. Ali.

SECTION-IV (Business Organization & Finance)

Q.8 Define business combination? What are the causes of business combinations?

Q.9 Differentiate between unlisted company and listed company in Pakistan?

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**ACCOUNTANCY & AUDITING
PAPER - I**

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PART - I

Q.1. Answer the following short questions:

- (a) Prepare the two adjusting entries required to record accrued salaries expense and accrued legal fees revenue.
- (b) Define provision for bad debts.
- (c) Give two examples of contra items which appear in the balance sheet of a bank.
- (d) What is meant by interim accounts?
- (e) Briefly explain the periodic inventory system.
- (f) State the matching principle.
- (g) What do you understand by worksheet?
- (h) List the accounting procedures involved in the accounting cycle.
- (i) Describe revaluation account.
- (j) Bring out the importance of preparing trial balance.

Q.2. Following information is developed from the accounting records of Sana Chemicals Limited:

- (1) Current Ratio = 2.5
- (2) Liquid Ratio = 1.5
- (3) Proprietary Ratio (Fixed Assets to Proprietor's Fund) = 0.75
- (4) Working Capital = Rs.150,000
- (5) Reserves and Surplus = Rs.100,000
- (6) Bank Overdraft (Current Liability) = Rs. 25,000

Required: Find out Current Assets, Current Liabilities, Stock, Liquid Assets and Fixed Assets. Also prepare a statement of Proprietor's Fund and a Balance Sheet.

Q.3. The following Trial Balance was extracted from the books of Orix Industries Limited as on 31st December, 2006.

	Rs.	Rs.
Share Capital ----- x -----	280,000	
Office Salaries -----	19,860	
Machinery and Plant -----	128,400	
Opening Stock -----	72,940	
Purchases -----	292,620	
Purchases Returns ----- x -----	4,290	
Sales ----- x -----	572,140	
Sales Returns -----	3,210	

Loan on Mortgage ----- x -----	85,000
Manufacturing Wages -----	123,140
Travellers's Salaries and Commission ----	32,760
Factory Fuel and Lighting -----	4,280
Office Expenses -----	3,220
Interest on Loan -----	4,250
Carriage Inward -----	4,310
Carriage Outward -----	3,420
Discount ----- x -----	780
Provision for Bad Debts ----- x -----	2,500
Freehold Premises -----	142,000
Office Rent and Rates -----	2,710
Factory Rates and Insurance -----	2,220
Office Furniture -----	5,000
Machinery Repairs -----	3,980
Royalties paid -----	4,710
Bad Debts -----	2,190
Sundry Debtors -----	62,840
Sundry Creditors ----- x -----	17,210
Cash in Hand -----	3,270
Cash at Bank -----	22,730
Bill Receivable -----	17,860
Total.....	961,920 ---- 961,920

Additional Information:

- (a) Closing Stock Rs.87,210.
- (b) Depreciation to be provided on Machinery and Plant at 10% and Office Furniture at 5%.
- (c) The provision for Bad Debts is to be increased by Rs.4,000.
- (d) Outstanding Wages Rs.3,210 and Salaries Rs.920.
- (e) Insurance Premium Rs.2,400 is included in Machinery Repairs by mistake.

Requires: Prepare Trading and Profit and Loss Account for the year ended 31st December, 2006 and a Balance Sheet as on that date.

Q.4. Using the information given below, prepare Cash Budget showing expected Cash Receipts and Disbursements for the month of April, 2007 and the Cash Balance expected as of April 30, 2007.

- Bank Loan due on April 10, Rs.90,000 plus Rs.4,500 interest.
- Depreciation for April, Rs.2,100.
- Two years Insurance Policy due April 14, for renewal Rs.1,500 to be paid in cash.
- Cash Balance March 31, Rs.80,000.
- Merchandise purchases for April Rs.500,000, 40% paid in the month of purchase, 60% paid in next month.
- Account receivable as of March 31, Rs.60,000 from February sales, Rs.450,000 from March sales.
- Salaries due in April Rs.90,000.
- Other expenses for April, payable in April Rs.45,000.
- Accrued taxes for April, payable in June 2007 Rs.7,500.
- Sales for April Rs.1,000,000, half collected in the month of sale, 40% in next month, 10% in third month.
- Accounts payable March 31, Rs.460,000.

Q.5. Ahmad and Bilal carry on business in partnership, sharing profits and losses in the proportion of 2/3 and 1/3 respectively. The Balance Sheet at 31st December, 2006 was as follows:

Ahmad's Capital ----- 15,000
Bilal's Capital ----- 10,000
Creditors ----- 2,000
Bank Overdraft ----- 15,000
Total. ----- 42,000

Plant and Machinery --- 4,000
Stock ----- 22,000
Debtors ----- 15,000
Cash ----- 1,000
Total. -----42,000

They agreed to admit Saeed into partnership and give him 1/4 share in the profits on the following terms:

- (1) Saeed should bring Rs.3,000 for Goodwill and Rs.20,000 as Capital.
 - (2) The plant and machinery to be reduced by 10 percent, and a provision to be created for bad debts to the extent of Rs.440. The stock to be taken at a valuation of Rs.25,000.
 - (3) The Capital Accounts of Ahmad & Bilal be adjusted on the basis of their profit sharing ratio.
- No account of Goodwill is to be opened in the books of the firm.

Required: Make Journal Entries to record the above transactions. Also prepare the Partners' Capital Accounts and Opening Balance Sheet of the new Firm.

PART – II (MCQS) COMPULSORY QUESTION

Q.6. Write only the correct answer in the Answer Book. Do not reproduce the question.

- (1) Which of the following best describes the nature of an asset?
 - (a) Something with a ready market value
 - (b) An economic resource, which will provide some future benefits, owned by a business.
 - (c) The amount of the owner's investment in a business
 - (d) None of these
- (2) A balance sheet is prepared to find out financial position of a firm:
 - (a) For a specified period
 - (b) On a particular date
 - (c) At the time of sale of business
 - (d) None of these
- (3) The preparation of work sheet:
 - (a) Constitutes creation of a formal financial statement
 - (b) Eliminates the need for entering adjusting entries in the journal
 - (c) Provides the information needed for journalizing adjusting and closing entries
 - (d) None of these
- (4) Assets would be overstated if necessary adjusting entry was omitted for:
 - (a) Expired Insurance
 - (b) Accrued Salaries
 - (c) Accrued Interest Earned

- (5) The book value of the depreciable asset is best defined as:
- (a) The un-depreciated cost of the asset
 - (b) The price that the asset would fetch if offered for sale
 - (c) Accumulated depreciation of the asset since acquisition
 - (d) None of these
- (6) Which of the following is not an intangible asset?
- (a) A patent
 - (b) A trademark
 - (c) An investment in marketable securities
 - (d) None of these
- (7) A company has current ratio of 2 to 1 at the end of year 1. Which one of the following transactions will increase this ratio?
- (a) Sales of bonds payable at a discount
 - (b) Declaration of a 20% cash dividend
 - (c) Collection of a large account receivable
 - (d) None of these
- (8) If sales increase by 10% from year 1 to 2 and cost of goods sold increases only 6%, the gross profit on sales will increase by:
- (a) 4%
 - (b) 10%
 - (c) 6%
 - (d) None of these
- (9) Which of the following is not an acceptable inventory method?
- (a) Lower of cost or market
 - (b) Sales value
 - (c) Specific identification
 - (d) None of these
- (10) Which of the following amounts appears in both the income statement and balance sheet?
- (a) Net Income
 - (b) Accumulated depreciation
 - (c) Dividends
 - (d) None of these
- (11) Both the accounts for depreciation expense and accumulated depreciation:
- (a) Are closed at the end of the period
 - (b) Appear in the Adjusted Trial Balance Columns of the worksheet
 - (c) Appear in the Trial Balance Columns of the worksheet
 - (d) None of these
- (12) When a partnership is liquidated:
- (a) Any cash distribution to partners is allocated according to the profit and loss sharing ratio.
 - (b) Cash is distributed to each partner according to his or her capital account balance before the sale of partnership assets.
 - (c) Any gain or loss on disposal of partnership assets is divided among the partners according to their relative account balances.
 - (d) None of these

(13) In projecting the future profitability of a trading company, investors will be least concerned with changes in:

- (a) The gross profit rate
- (b) The quick ratio
- (c) Sales volume
- (d) None of these

(14) Revenue is most commonly recognized at the time when:

- (a) Cash is collected
- (b) The order is received from customers
- (c) The sale is made
- (d) None of these

(15) Which of the following list of accounts is used to compute the cost of goods sold?

- (a) Purchases, inventory, and sales returns.
- (b) Gross profit, purchase returns and carriage inward.
- (c) Inventory, net sales and purchases
- (d) None of these

(16) Which of the following is ascertained by drawing up an income and expenditure account?

- (a) Cash in hand
- (b) Surplus or Deficiency
- (b) Capital Fund
- (d) None of these

(17) On April 1, Hassan & Company received and paid a Rs.700 bill for the advertising done in March. In addition to this bill the company paid Rs. 6,100 during April for expenses incurred in that month. Hassan & Company paid Rs.3,600 as salary to employees for work done in April. Based on these facts, total expenses for the month of April were:

- (a) Rs.6,100
- (b) Rs.6,800
- (c) Rs.10,700
- (d) None of these

(18) Which of the following categories of accounts are closed at the end of an accounting period?

- (a) Temporary accounts
- (b) Permanent accounts
- (c) Personal accounts
- (d) None of these

(19) A retail store had current assets of Rs.72,000 and a current ratio of 2 to 1. The amount of working capital must have been:

- (a) Rs.144,000
- (b) Rs.108,000
- (c) Rs.72,000
- (d) None of these

(20) Bond holders would be most interested in which of the following?

- (a) Quick ratio
- (b) Inventory turnover
- (c) Times interest earned
- (d) None of these

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**ACCOUNTANCY & AUDITING
PAPER - II**

NOTE: (i) Attempt FIVE questions in all including question No. 8 which is compulsory. All questions carry EQUAL marks.
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PART – A (Cost Accounting)

Q.1. Explain Classifications of Cost under the following headings:

- (i) Direct and Indirect costs
- (ii) Fixed and variable costs
- (iii) Product cost and period costs
- (iv) Controllable and Non controllable costs

Q.2. Hamza Manufacturing Company collects its cost data by the job order cost accumulation procedure. For job No 0010, for customer Hunzala Ltd; the following data is available:

Direct Material Cost -----	Direct Labour Cost
Jan 06 Issued Rs.2,000 -----	11 Jan, 150 hours @ 12 per hour
Jan 10 Issued Rs.1,500 -----	20 Jan, 200 hours @ 11 per hour
Jan 18 Issued Rs.1,000	

Factory overhead is applied @ 5 per direct labour hour. Hunzala Ltd. placed the order for 1,000 units on Jan 05, 2007.

The Hamza Manufacturing Company started the work on job No 0010 on Jan 06, 2007 and job was completed on Jan 20, 2007 (one day before the date wanted by the customer). The sale price of the job was contracted with a mark up of 20% of cost.

Required: Prepare a Job Order Cost Sheet assuming that Selling and Administrative Expenses are 15% on Sales.

PART – B (Auditing)

Q.3. What is an “Audit Program?” What are the contents of “Audit Program?” Discuss its advantages, disadvantages and how its disadvantages be curtailed?

Q.4. Discuss in detail the rights and duties of an auditor of a Public Ltd. Company with reference to Companies Ordinance 1984.

PART – C (Income Tax)

Q.5. What do you mean by the term “Rent Chargeable to Tax?” What are allowable deductions for determining taxable income from Property under Income Tax Ordinance 2001?

Q.6. Ms Maryam is an accountant in Meridian Hotel. Her pay scale is Rs.4000-250-9000.

The other particulars of her income for the tax year ending June 30, 2006 are detailed below:

- (1) Basic Salary Rs.8,000 per month.
- (2) Bonus Rs.4,000.
- (3) Rent free unfurnished accommodation provided by the employer. The annual rental value of the accommodation of Rs.24,000.
- (4) Salary of the watchman Rs.600 per month born by employer.
- (5) Conveyance allowance Rs.10,200. Conveyance is owned and maintained by the employee.
- (6) Interest free loan obtained from employer Rs.80,000.
- (7) Medical allowance Rs.12,600.
- (8) Income from non professional writings Rs.4,200.
- (9) Bonus shares received from Public Ltd. Co. Rs.8,000.
- (10) Subsidized lunch facility Rs.10,000.
- (11) Motor Vehicle tax paid Rs.500.

Required: Calculate the tax liability of Ms Maryam.

PART – D (Business Organization & Finance)

Q.7. What is Cooperative society? How does it differ from Joint Stock Company? Explain in detail.

Q.8. There is an imperative importance of Finance in the growth and development of a business. Discuss.

COMPULSORY QUESTION

Q.9. Write only the correct answer in the Answer Book. Do not reproduce the question.

(1) If annual requirement is 50,000 units, cost per unit Rs.15, ordering cost Rs.20 per order and holding cost 10% of the purchase price then what is economic order quantity?

- (a) 577
- (b) 1816
- (c) 1866
- (d) 1155

(2) Average, minimum and maximum daily usage is 400, 180 and 520 units Respectively. Lead time 10 to 15 days and reorder quantity 8000 units. What is reorder level:

- (a) 5000
- (b) 6000
- (c) 7800
- (d) 8000

(3) The amount of overtime premium contained in direct wages would normally be classified as:

- (a) Part of prime cost
- (b) Factory overhead
- (c) Direct labour cost
- (d) Administrative overhead

(4) Cost of Goods sold Rs.14,000. Purchases Rs.14,000 Carriage Inward Rs.1,000, carriage outward Rs.1,500 and closing inventory Rs.13,000. What is the opening inventory?

- (a) Rs.10,500
- (b) Rs.11,500
- (c) Rs.12,000
- (d) Rs.13,000

(5) Which one of the following statements is incorrect with respect to external auditors:

- (a) External auditors are independent of organization
- (b) The responsibility of external auditor is fixed by statute
- (c) External auditors report to the members
- (d) External auditors work may range over many areas of activities as determined by the management

(6) The first auditor of a Public Limited Company is appointed by the directors with in:

- (a) 30 days of incorporation
- (b) 60 days of incorporation
- (c) 90 days of incorporation
- (d) 120 days of incorporation

(7) Audit working papers are the property of:

- (a) Client
- (b) Accountant
- (c) Auditor
- (d) Registrar of Companies

(8) Which of the following would be least likely to be considered an objective of a system of internal control:

- (a) Checking the accuracy and reliability of accounting data
- (b) Detecting management fraud
- (c) Encouraging adherence to managerial policies
- (d) Safeguarding assets

(9) Benchmark rate of interest for the tax year 2006 was:

- (a) 5%
- (b) 6%
- (c) 7%
- (d) 8%

(10) Dividend income is subject to tax at source at:

- (a) 0%
- (b) 5%
- (c) 10%
- (d) 15%

(11) If cost of goods sold Rs.450,000, Opening stock Rs.125,000 and Closing stock Rs.175,000 then inventory turnover ratio is:

- (a) 2 times
- (b) 3 times
- (c) 4 times
- (d) 5 times

(12) If cost of good sold Rs.600,000, Operating expenses 40,000, sales Rs.820,000, Sale return Rs.20,000 then operating ratio is:

- (a) 50%
- (b) 80%
- (c) 90%
- (d) 100%

(13) Tax deducted at source will be treated as:

- (a) Taxable
- (b) Exempt
- (c) Deductible from net tax
- (d) Deductible from total income

(14) If rent received is Rs.1000 per month, token money forfeited Rs.500, insurance premium paid Rs.100, water charges Rs.100, the net property income will be:

- (a) Rs.12,000
- (b) Rs.12,300
- (c) Rs.12,400
- (d) Rs.12,500

(15) One of the basic purposes of business combination is:

- (a) To provide better services to the community
- (b) To sell the goods at competitive prices
- (c) To reap profit by eliminating competition
- (d) To increase sales

(16) A cooperative society is registered under cooperative society act of:

- (a) 1925
- (b) 1930
- (c) 1984
- (d) 1948

(17) Which one of the following is not considered a legal document of Joint Stock Company:

- (a) Memorandum of association
- (b) Articles of association
- (c) Prospectus
- (d) Shares

(18) Which one of the following is to be repaid in the last in case of liquidation of company:

- (a) Equity capital
- (b) Preference Capital
- (c) Debentures
- (d) Preferential Creditors

(19) Average relief is allowed on the following expenditures except:

- (a) Donation for charitable purpose
- (b) Investment in shares
- (c) Mark-up on housing finance
- (d) Contribution to employees children education fund

(20) The most important reason for having an annual audit is to:

- (a) Provide assurance to investors & others stake holders that financial statements are dependable.
- (b) Enable Directors to avoid personal responsibility for any deficiency in the financial statement.
- (c) Meet the requirement of government agency.
- (d) Provide assurance that fraud, if any exists, will be brought to light.

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PART – I

Q1. Explain and illustrate legal provisions governing preparation of banking companies and financial statements in Pakistan.

Q2. The books of Safer Manufacturing Co. engaged in assembling refrigerators showing the following information for the ix months ended on December 31, 2005.

Particulars Rs	
Material purchased-----	1,041,250
Stock-July 1, 2005:	
Material-----	1, 25,000
Finished goods (50 refrigerators) -----	20,575
Director Labour -----	1,025,000
Factory Overheads-----	435,050
Selling expenses -----	214,000
General & Admn. Expenses -----	241,500
Financial Management expenses -----	9,200
Sales (6000 refrigerators) -----	3,180,000
Stock – December 31, 2005:	
Material -----	75,000
Finished goods (250 refrigerators)	
You can calculate the amount of closing stock	
Refrigerators at cost	
There was no work-in-process at the end of the year.	

Required:

- (1) An income statement.
- (2) Number of Unites manufactures
- (3) Unit cost of refrigerators manufactured
- (4) Gross Profit and the Net profit per unit sold.

Q3. The following is the trial balance of Metropolitan Company (Private) Limited as on June 30, 2005:

Particulars	Debit	Credit
Plant & Machinery -----		375,000
Wages -----	90,000	
Vehicles -----	71,000	

Furniture and Fixtures -----	30,000
Carriage inward -----	5,000
Carriage outward-----	6,250
Freehold Land -----	75,000
Purchasing expenses -----	28,750
Insurance -----	6,250
Rates and taxes -----	25,000
Office supplies -----	5,750
Electricity -----	48,500
Salaries -----	40,000
Opening stock -----	56,750
Purchases -----	325,000
Sales return -----	8,250
Discount -----	3,000
Bad debts -----	4,375
Mark-up & bank charges -----	5,625
Cash in hand -----	7,125
Short term deposit -----	50,000
Repairs & maintenance -----	14,500
Postage, telegram & telephone -----	5,000
Sundry debtors -----	116,100
Capital -----	500,000
Investment -----	37,500
Sales -----	795,000
Purchases return -----	10,750
Sundry Creditors -----	61,600
Bank Overdrafts -----	29,375
Reserve for doubtful debt -----	7,500
Discount & Commission -----	4,250
Interest received -----	3,125
Dividend income -----	5,625

The following adjustments are required to be made into the accounts:

- (1) Closing stock Rs. 73,000.
- (2) Depreciation to be provided at following rates:
 - (a) Freehold land ----- 5%
 - (b) Vehicles ----- 20%
 - (c) Other assets ----- 10%
 (Plant & Machinery and furniture and Fixtures)
- (3) Reserve for doubtful debt is required to be kept at 5% of the debtors balance.
- (4) Prepaid insurance Rs. 1,500 and rates & taxes – Rs. 375
- (5) Outstanding wages Rs. 3,000 and salary Rs. 8,375

Required:

Prepare trading profit and loss account and balance sheet as at 30-06-2005.

4. Working capital of X Company at December 31-2005 exceeds the working capital at December 31-2004 by Rs. 50,000 as reported blow.

2005	2004	
Particulars	Rs	Rs
Current Assets		
Cash, Marketable securities	150,000	250,000

& accounts receivable
Merchandise inventory 450,000 250,000
Total Current Assets 600,000 500,000
Current Liabilities 300,000 250,000
300,000 250,000

Required:

Undertake liquidity analysis with particular reference to:

- (1) Current ratio
- (2) Quick ratio
- (3) Working capital

First calculate the ratios, later compare the same with reference to standard ratios and later present a lucid analysis.

Q5. Explain various types of depreciation methods relating to:

- (a) Fixed assets
- (b) Wasting assets

Illustrate your answer properly in respect of how various depreciation methods are used.

COMPULSORY QUESTION

Q6. Answer all questions in the following format. An overwritten answer can carry no marks. Correct answers and rationale will carry equal grade:

S. No True/False Rationale

- (1) There is no difference between Financial Report and Financial statement. (True/False)
- (2) Calculating number of days uncollected of sales is known as Collection Index. (True/False)
- (3) Wages paid for construction of a plant is revenue expenditure. (True/False)
- (4) Times interest earned is a great interest for a banker. (True/False)
- (5) Budgeted Profits are always high when pessimistic approach for preparing budget is followed. (True/False)
- (6) Work Sheet only presents Balance Sheet figures. (True/False)
- (7) Trial Balance is prepared from ledger. (True/False)
- (8) Banks are governed under the Companies Ordinance, 1984 only for preparation of their financial statements. (True/False)
- (9) Suspense Account is a clear account with no question to be asked. (True/False)
- (10) Ledgers are prepared from vouches much before transactions are recorded in the Journal. (True/False)

**FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS
IN BPS – 17 UNDER THE FEDERAL GOVERNMENT, 2006**

**ACCOUNTANCY & AUDITING
PAPER - II**

PART – A: (COST ACCOUNTING)

Q1. Explain the rationale supporting cost Accounting. How will it contribute to the efficient allocation of resources? Illustrate your answer.

Q2. Pervaiz Products Company uses a standard Cost System. For the year ended March 31 the company results may be summarized as under:

Particulars	Standard	Actual
Production (in units)		
Material price per pound		
Material quantity		
Direct Labour hours		
Direct Labour Cost per hour		
Factory overhead:		
(Variable expenses)	490,000	
(Fixed expenses)	210,000	
	700,00	
Actual overhead	140,000	
	Rs. 60,00	
	280,000Ibs	
	7,000	
	Rs. 22,50	
	700,000	143,000
	Rs.62,50	
	290,000Ibs	
	6,900	
	Rs.22,00	

Rs.716,500

There is no inventory of work-in-process at the beginning or at end of the above fiscal year.

Required:

- (1) Prepare a statement showing analysis of variances.
- (2) Compute actual and standard cost per unit of product.

PART – B (AUDITING)

Q3. State major contents of Annual Audit Report of a listed Public limited company under the Companies Ordinance, 1984.

Q4. Differentiate amongst the following:

- (a) Internal Audit (b) Internal Control
- (c) External Audit

PART – C: (INCOME TAX)

Q5. Define the following terms as have been used in the Income Tax Ordinance, 2001:

- (a) Amalgamation (b) Business
- (c) Depreciable (d) Income

Q6. The following particulars in respect of Mohammad Ali for the year ended on June 30, 2005 are available:
Particulars Rs

- (1) Salary per month
 - (2) House property let out @ Rs. 3000 pm
 - (3) Profit on his 1/3rd share from a tailoring shop (AOP)
 - (4) Director's fee
 - (5) Dividend received from companies listed on Stock Exchange in Pakistan
- 72,000
36,000
33,600
21,000
9,600
He is a sleeping partner in the above AOP
Required:
Compute taxable income

PART – D: (BUSINESS ORGANIZATION & FINANCE)

Q7. Present a lucid analysis of operational of a joint Stock Company.

Q8. Explain major role of financial institutions. Are there any limitations in respect of their impact?

COMPULSORY QUESTION

Q9. Present your answer in the following format. Overwritten answers will carry no marks. One marks is for correct answer and one mark is for rationale:

S. No True/False Rationale

(1) Every limited company is legally required to get their account audited by a practicing Chartered Accountant.

(True/False)

(2) Conversion Cost consists of Director Material. (True/False)

(3) Standard Costing Procedures are not relevant in job costing. (True/False)

(4) Second Schedule is annexed to the Income Tax ordinance, 2001 and deals with exemptions from income tax.

(True/False)

(5) There can never be an insurance of a Valid nature without insurable interest.

(True/False)

(6) A loan taken from a bank for a period longer than two years is known as short-term loan. (True/False)

(7) Income Tax is livable on every person with an annual income of Rs. 80,000.

(True/False)

(8) Audit Engagement letter is always obtained after the end of the audit.

(True/False)

(9) Internal Audit is compulsory under the Companies Ordinance, 1984.

(True/False)

(10) Cost Accounting and Financial Accounting can be never be reconciled.

(True/False)

www.





[Illegible text]

[Illegible text]

[Illegible text]

[Illegible text]

[Illegible text]

Q. No.	Question	Answer
1	What is the difference between a function and a procedure?	A function returns a value, while a procedure does not.
2	What is a variable?	A variable is a container for storing data.
3	What is a loop?	A loop is a control structure that repeats a block of code.
4	What is a conditional statement?	A conditional statement is a control structure that executes code based on a condition.
5	What is an array?	An array is a collection of elements of the same data type.
6	What is a string?	A string is a sequence of characters.
7	What is a list?	A list is a collection of elements of different data types.
8	What is a dictionary?	A dictionary is a collection of key-value pairs.
9	What is a set?	A set is a collection of unique elements.
10	What is a tuple?	A tuple is a collection of elements of different data types that cannot be modified.
11	What is a file?	A file is a collection of related information.
12	What is a directory?	A directory is a collection of files and sub-directories.
13	What is a path?	A path is a sequence of directories and files that leads to a specific file.
14	What is a mode?	A mode is a string that specifies the type of file to be opened.
15	What is a buffer?	A buffer is a temporary storage area for data.
16	What is a stream?	A stream is a sequence of data that flows from one point to another.
17	What is a socket?	A socket is a communication endpoint between two machines.
18	What is a port?	A port is a specific location on a network interface.
19	What is a protocol?	A protocol is a set of rules that governs communication between two machines.
20	What is a client?	A client is a machine that requests services from a server.
21	What is a server?	A server is a machine that provides services to clients.
22	What is a database?	A database is a collection of organized data.
23	What is a query?	A query is a request for data from a database.
24	What is a table?	A table is a collection of data organized into rows and columns.
25	What is a record?	A record is a single row of data in a table.
26	What is a field?	A field is a single column of data in a table.
27	What is a primary key?	A primary key is a field that uniquely identifies each record in a table.
28	What is a foreign key?	A foreign key is a field that refers to the primary key of another table.
29	What is a join?	A join is a query that combines data from two or more tables.
30	What is a select statement?	A select statement is a query that retrieves data from a database.
31	What is an insert statement?	An insert statement is a query that adds data to a database.
32	What is an update statement?	An update statement is a query that modifies data in a database.
33	What is a delete statement?	A delete statement is a query that removes data from a database.
34	What is a transaction?	A transaction is a sequence of operations that are treated as a single unit of work.
35	What is a commit statement?	A commit statement is a query that saves changes made to a database.
36	What is a rollback statement?	A rollback statement is a query that undoes changes made to a database.
37	What is a constraint?	A constraint is a rule that restricts the data that can be stored in a table.
38	What is a primary key constraint?	A primary key constraint is a constraint that ensures that the primary key field contains unique values.
39	What is a foreign key constraint?	A foreign key constraint is a constraint that ensures that the foreign key field contains values that exist in the primary key field of another table.
40	What is a unique constraint?	A unique constraint is a constraint that ensures that the field contains unique values.
41	What is a not null constraint?	A not null constraint is a constraint that ensures that the field is not empty.
42	What is a check constraint?	A check constraint is a constraint that ensures that the field contains values that meet a specific condition.
43	What is a default constraint?	A default constraint is a constraint that sets a default value for the field.
44	What is a trigger?	A trigger is a procedure that is automatically executed when a specific event occurs in a database.
45	What is a view?	A view is a virtual table that is based on the result of a query.
46	What is a synonym?	A synonym is an alternative name for a table or view.
47	What is a sequence?	A sequence is a database object that generates a series of unique numbers.
48	What is a stored procedure?	A stored procedure is a precompiled collection of SQL statements that can be executed as a single unit.
49	What is a function?	A function is a precompiled collection of SQL statements that returns a value.
50	What is a package?	A package is a collection of related objects, such as procedures, functions, and triggers.

QUESTION

1. The following table shows the number of students who took part in a school sports competition. The number of students who took part in each sport is given in the first column. The number of students who took part in each sport is given in the second column. The number of students who took part in each sport is given in the third column.

Sport	Number of students who took part in each sport	Number of students who took part in each sport	Number of students who took part in each sport
Football	15	10	5
Basketball	10	5	5
Table Tennis	5	5	0
Badminton	5	5	0
Table Tennis	5	5	0
Badminton	5	5	0

2. The following table shows the number of students who took part in a school sports competition. The number of students who took part in each sport is given in the first column. The number of students who took part in each sport is given in the second column. The number of students who took part in each sport is given in the third column.

Sport	Number of students who took part in each sport	Number of students who took part in each sport	Number of students who took part in each sport
Football	15	10	5
Basketball	10	5	5
Table Tennis	5	5	0
Badminton	5	5	0
Table Tennis	5	5	0
Badminton	5	5	0



1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. This is essential for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various roles and responsibilities of the staff members. Each role is clearly defined, and the expectations for each position are outlined in detail.

3. Key Findings and Recommendations

4. The findings of the audit are presented in this section. It highlights the areas where the organization is performing well and identifies the areas that need improvement. Recommendations are provided for each area of concern.

5. The next section discusses the implementation of the recommendations. It provides a timeline and a list of responsible parties for each recommendation.

6. The final part of the document provides a summary of the overall findings and conclusions. It emphasizes the importance of continuous improvement and the role of the audit in achieving this goal.

7. The document concludes with a statement of appreciation for the cooperation and assistance provided by the organization's management and staff throughout the audit process.

8. The document is signed by the audit team and the organization's management, indicating their agreement with the findings and recommendations.

QUESTION

1. The following table shows the number of people who attended a concert in each of the five years from 2010 to 2014.

Year	Number of people
2010	1200
2011	1500
2012	1800
2013	2100
2014	2400

2. The following table shows the number of people who attended a concert in each of the five years from 2010 to 2014.

Year	Number of people
2010	1200
2011	1500
2012	1800
2013	2100
2014	2400

3. The following table shows the number of people who attended a concert in each of the five years from 2010 to 2014.

Year	Number of people
2010	1200
2011	1500
2012	1800
2013	2100
2014	2400

4. The following table shows the number of people who attended a concert in each of the five years from 2010 to 2014.

Year	Number of people
2010	1200
2011	1500
2012	1800
2013	2100
2014	2400

5. The following table shows the number of people who attended a concert in each of the five years from 2010 to 2014.

Year	Number of people
2010	1200
2011	1500
2012	1800
2013	2100
2014	2400

Q. No.	Answer
1	...
2	...
3	...
4	...
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1. The first part of the document discusses the importance of maintaining accurate records of all business transactions. This is essential for the proper management of the company's finances and for ensuring compliance with applicable laws and regulations.

2. The second part of the document outlines the various methods used to collect and analyze data. This includes the use of surveys, interviews, and focus groups to gather information about customer needs and preferences. The data is then analyzed to identify trends and patterns that can be used to inform business decisions.

3. The third part of the document describes the process of developing and implementing a marketing strategy. This involves identifying the target market, determining the most effective marketing channels, and creating a budget for the marketing campaign. The strategy is then implemented and monitored to ensure that it is achieving the desired results.

4. The fourth part of the document discusses the importance of customer service and the role of the sales team. Customer service is a key component of a successful business, and the sales team plays a vital role in ensuring that customers are satisfied with their purchases. The sales team should be trained to provide excellent customer service and to identify opportunities for cross-selling and upselling.

5. The fifth part of the document describes the process of evaluating the performance of the business. This involves tracking key performance indicators (KPIs) such as revenue, profit, and customer satisfaction. The KPIs are then compared to the target values to determine whether the business is performing well. If the business is not performing well, the necessary adjustments are made to improve performance.

1. The first part of the document discusses the importance of maintaining accurate records in a laboratory setting. It emphasizes that proper record-keeping is essential for ensuring the reliability and reproducibility of experimental results. This includes detailing the date, time, and conditions of each experiment, as well as the names of the individuals involved.

2. The second part of the document outlines the various methods used to collect and analyze data. It describes the use of specialized equipment and techniques to measure physical and chemical properties. The text also discusses the importance of using appropriate statistical methods to interpret the data and identify trends or anomalies.

3. The third part of the document focuses on the safety protocols that must be followed in a laboratory environment. It provides a comprehensive overview of the risks associated with various types of experiments and the measures that should be taken to minimize these risks. This includes the use of personal protective equipment (PPE) and the implementation of strict safety procedures.

4. The final part of the document discusses the ethical considerations that must be taken into account when conducting research. It highlights the importance of transparency, honesty, and integrity in the scientific process. The text also addresses the need to obtain appropriate approvals and to ensure that the research is conducted in a responsible and ethical manner.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Q1	100	100	100	100	100	100	100	100	100	100	100
Q2	100	100	100	100	100	100	100	100	100	100	100
Q3	100	100	100	100	100	100	100	100	100	100	100
Q4	100	100	100	100	100	100	100	100	100	100	100
Annual	100	100	100	100	100	100	100	100	100	100	100

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. This is essential for ensuring the integrity and reliability of the data used in the analysis.

2. The second part of the document focuses on the methodology used for data collection and analysis. This includes a detailed description of the sampling process and the statistical techniques employed to analyze the data.

3. The third part of the document presents the results of the analysis, including a summary of the key findings and a discussion of their implications for the field of study.

Year	Value	Change (%)
2010	120	0
2011	135	12.5
2012	150	11.1
2013	165	10.0
2014	180	9.1
2015	195	8.3
2016	210	7.7
2017	225	7.1
2018	240	6.7
2019	255	6.3
2020	270	5.9

4. The fourth part of the document discusses the limitations of the study and suggests areas for future research. This includes a discussion of the potential biases in the data and the need for more comprehensive data collection in the future.

5. The fifth part of the document provides a conclusion and a summary of the key findings. This includes a discussion of the overall trends in the data and the implications of the findings for the field of study.

6. The sixth part of the document includes a list of references and a list of figures. This provides a comprehensive overview of the sources used in the study and a visual representation of the data.

Year	1990	1995	2000	2005	2010	2015	2020
Population (millions)	5.3	5.7	6.1	6.5	6.9	7.3	7.7
GDP (trillion USD)	1.5	2.5	3.5	4.5	5.5	6.5	7.5
Life expectancy (years)	50	55	60	65	70	75	80
Urban population (%)	20	30	40	50	60	70	80
Employment (millions)	1.0	1.5	2.0	2.5	3.0	3.5	4.0
Unemployment (%)	19	26	33	40	47	54	61
Healthcare expenditure (trillion USD)	0.1	0.2	0.3	0.4	0.5	0.6	0.7
Government expenditure (trillion USD)	0.2	0.3	0.4	0.5	0.6	0.7	0.8
Private expenditure (trillion USD)	0.3	0.4	0.5	0.6	0.7	0.8	0.9
Total expenditure (trillion USD)	0.6	0.9	1.2	1.5	1.8	2.1	2.4

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Q1	100	100	100	100	100	100	100	100	100	100	100
Q2	100	100	100	100	100	100	100	100	100	100	100
Q3	100	100	100	100	100	100	100	100	100	100	100
Q4	100	100	100	100	100	100	100	100	100	100	100

The following table shows the quarterly sales figures for a company from 2010 to 2020. The sales figures are in millions of dollars. The company's sales have been relatively stable over the period, with a slight increase in 2019 and a decrease in 2020.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Q1	100	100	100	100	100	100	100	100	100	100	100
Q2	100	100	100	100	100	100	100	100	100	100	100
Q3	100	100	100	100	100	100	100	100	100	100	100
Q4	100	100	100	100	100	100	100	100	100	100	100

The following table shows the quarterly sales figures for a company from 2010 to 2020. The sales figures are in millions of dollars. The company's sales have been relatively stable over the period, with a slight increase in 2019 and a decrease in 2020.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. This is essential for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various roles and responsibilities of the staff members. Each role is clearly defined, and the expectations for each position are outlined in detail.

3. The third part of the document provides a comprehensive overview of the organization's financial performance. This includes a detailed analysis of the budget, actual results, and any variances that have occurred.

4. The fourth part of the document discusses the organization's strategic goals and objectives. This section outlines the long-term vision and the specific actions that will be taken to achieve these goals.

5. The fifth part of the document provides a summary of the key findings and recommendations. This section highlights the areas where the organization is performing well and identifies the areas that need further attention.

1. The first part of the document discusses the importance of maintaining accurate records of all business transactions. This includes not only sales and purchases but also expenses and income. Proper record-keeping is essential for determining the true financial health of the business and for preparing accurate tax returns.

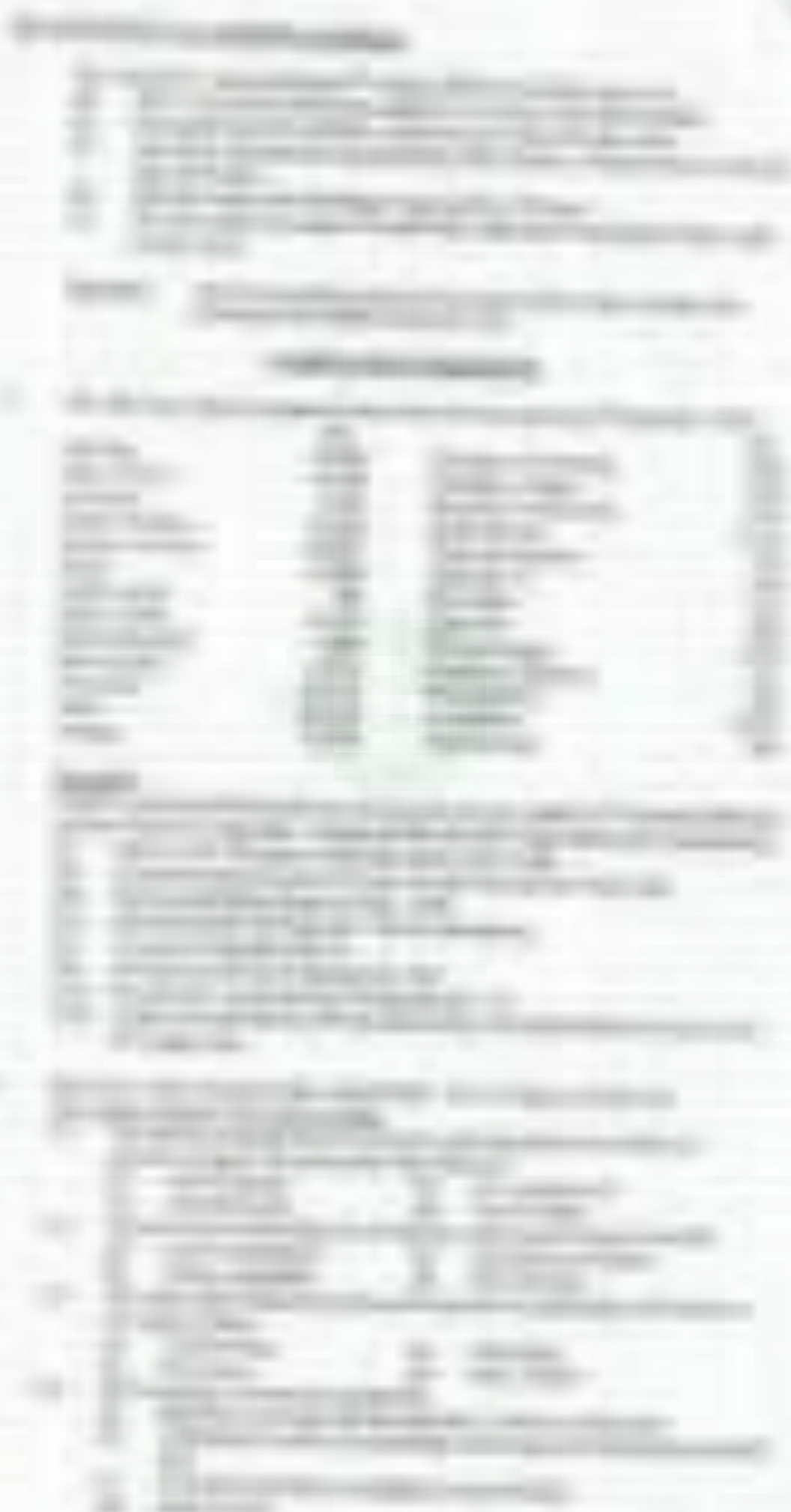
2. The second part of the document focuses on the importance of staying up-to-date on changes in tax laws and regulations. Tax laws can change frequently, and it is crucial for business owners to understand these changes to ensure they are in compliance and to take advantage of any new deductions or credits that may be available.

3. The third part of the document discusses the importance of seeking professional advice from a tax professional or accountant. These professionals can provide valuable guidance and assistance in navigating the complex world of business taxes, helping to identify opportunities for tax savings and ensuring that all tax obligations are met.

4. Finally, the document emphasizes the importance of maintaining good communication with the IRS. If there are any questions or concerns regarding tax matters, it is important to reach out to the IRS as soon as possible to seek clarification and avoid any potential penalties or interest charges.

QUESTION 1
The following table shows the number of students who took part in a school sports day. The table is divided into two groups: boys and girls. The table is divided into two groups: boys and girls. The table is divided into two groups: boys and girls.

Activity	Boys	Girls
100m	15	10
200m	12	8
400m	10	7
800m	8	6
1600m	6	5
3200m	5	4
6400m	4	3
12800m	3	2
25600m	2	1
51200m	1	0



Year	Country	Value
2000	USA	100
2000	China	10
2000	India	5
2000	Japan	15
2000	Germany	12
2000	France	11
2000	UK	10
2000	Italy	9
2000	Spain	8
2000	Canada	7
2000	Australia	6
2000	South Korea	5
2000	Brazil	4
2000	Russia	3
2000	South Africa	2
2000	Argentina	1
2000	Mexico	1
2000	Indonesia	1
2000	Other	1
2005	USA	105
2005	China	15
2005	India	10
2005	Japan	16
2005	Germany	13
2005	France	12
2005	UK	11
2005	Italy	10
2005	Spain	9
2005	Canada	8
2005	Australia	7
2005	South Korea	6
2005	Brazil	5
2005	Russia	4
2005	South Africa	3
2005	Argentina	2
2005	Mexico	2
2005	Indonesia	1
2005	Other	1
2010	USA	110
2010	China	20
2010	India	15
2010	Japan	17
2010	Germany	14
2010	France	13
2010	UK	12
2010	Italy	11
2010	Spain	10
2010	Canada	9
2010	Australia	8
2010	South Korea	7
2010	Brazil	6
2010	Russia	5
2010	South Africa	4
2010	Argentina	3
2010	Mexico	2
2010	Indonesia	1
2010	Other	1
2015	USA	115
2015	China	25
2015	India	20
2015	Japan	18
2015	Germany	15
2015	France	14
2015	UK	13
2015	Italy	12
2015	Spain	11
2015	Canada	10
2015	Australia	9
2015	South Korea	8
2015	Brazil	7
2015	Russia	6
2015	South Africa	5
2015	Argentina	4
2015	Mexico	3
2015	Indonesia	2
2015	Other	1
2020	USA	120
2020	China	30
2020	India	25
2020	Japan	19
2020	Germany	16
2020	France	15
2020	UK	14
2020	Italy	13
2020	Spain	12
2020	Canada	11
2020	Australia	10
2020	South Korea	9
2020	Brazil	8
2020	Russia	7
2020	South Africa	6
2020	Argentina	5
2020	Mexico	4
2020	Indonesia	3
2020	Other	2



1. The first part of the document discusses the importance of maintaining accurate records. It emphasizes that proper record-keeping is essential for ensuring the integrity and reliability of the data collected. This section also outlines the various methods used to collect and analyze the data, highlighting the challenges faced during the process.

2. The second part of the document provides a detailed overview of the experimental procedures. It describes the setup of the experiment, the materials used, and the specific steps followed to conduct the study. This section is crucial for understanding the methodology and the potential sources of error in the data.

3. The third part of the document presents the results of the experiment. It includes a series of tables and graphs that illustrate the data collected. The results show a clear trend, which is discussed in detail in the following sections.

Parameter	Value	Unit
Temperature	25.0	°C
Pressure	1.013	atm
Volume	0.025	L
Mass	0.500	g
Time	10.0	min

4. The fourth part of the document discusses the implications of the results. It compares the findings with previous studies and theoretical models, highlighting the significance of the observed trends. This section also addresses the limitations of the current study and suggests areas for future research.

5. The fifth part of the document provides a conclusion and a summary of the key findings. It reiterates the importance of the study and the need for further investigation in this field. The authors express their gratitude to the funding agencies and the research team for their support and contributions.

6. The final part of the document includes a list of references and a list of authors. The references cite the key works that informed the study, and the authors list the individuals who contributed to the research. This section is essential for providing context and credit to the work.

QUESTION BANK

- 1. The following are the components of a business plan:
 - (a) Executive Summary
 - (b) Business Description
 - (c) Market Analysis
 - (d) Financial Projections
 - (e) Management Team

- 2. The following are the components of a business plan:
 - (a) Executive Summary
 - (b) Business Description
 - (c) Market Analysis
 - (d) Financial Projections
 - (e) Management Team

- 3. The following are the components of a business plan:
 - (a) Executive Summary
 - (b) Business Description
 - (c) Market Analysis
 - (d) Financial Projections
 - (e) Management Team

- 4. The following are the components of a business plan:
 - (a) Executive Summary
 - (b) Business Description
 - (c) Market Analysis
 - (d) Financial Projections
 - (e) Management Team

- 5. The following are the components of a business plan:
 - (a) Executive Summary
 - (b) Business Description
 - (c) Market Analysis
 - (d) Financial Projections
 - (e) Management Team

- 6. The following are the components of a business plan:
 - (a) Executive Summary
 - (b) Business Description
 - (c) Market Analysis
 - (d) Financial Projections
 - (e) Management Team

- 7. The following are the components of a business plan:
 - (a) Executive Summary
 - (b) Business Description
 - (c) Market Analysis
 - (d) Financial Projections
 - (e) Management Team





The first part of the document discusses the importance of maintaining accurate records and the role of various departments in ensuring data integrity. It highlights the need for regular audits and the implementation of strict protocols to prevent errors and fraud.

The second section focuses on the financial aspects of the organization, detailing the budgeting process and the allocation of resources. It emphasizes the importance of transparency and accountability in financial reporting, as well as the role of the finance department in monitoring expenditures and ensuring compliance with regulatory requirements.

The third part of the document addresses the operational challenges faced by the organization, including the management of inventory, the optimization of supply chain processes, and the implementation of quality control measures. It discusses the role of the operations department in streamlining workflows and improving efficiency, as well as the importance of maintaining high standards of product quality to ensure customer satisfaction.

The fourth section discusses the human resources management of the organization, covering recruitment, training, and performance evaluation. It highlights the importance of attracting and retaining top talent, as well as the role of the HR department in providing ongoing support and development opportunities for employees.

The final part of the document provides a comprehensive overview of the organization's strategic vision and goals. It outlines the key areas of focus for the coming year, including the expansion of market reach, the development of new products, and the strengthening of the organization's financial position. It concludes by emphasizing the commitment of all employees to achieving these goals and driving the organization's success.

QUESTION BANK

QUESTION BANK

QUESTION BANK

QUESTION BANK



[The following text is extremely faint and illegible due to low resolution and blurring. It appears to be a list of items or a table with multiple columns.]

Q.No	Question	Answer
1	What is the difference between a function and a procedure?	A function returns a value, while a procedure does not.
2	What is a variable?	A variable is a container for storing data.
3	What is a constant?	A constant is a value that does not change.
4	What is a data type?	A data type is a classification of data.
5	What is an operator?	An operator is a symbol that performs an operation.
6	What is an expression?	An expression is a combination of variables, constants, and operators.
7	What is a statement?	A statement is a unit of code that performs an action.
8	What is a block?	A block is a group of statements that are executed together.
9	What is a loop?	A loop is a statement that repeats a block of code.
10	What is a conditional statement?	A conditional statement is a statement that executes a block of code based on a condition.
11	What is an array?	An array is a collection of elements of the same data type.
12	What is a pointer?	A pointer is a variable that stores the address of another variable.
13	What is a structure?	A structure is a user-defined data type that contains members of different data types.
14	What is a union?	A union is a user-defined data type that contains members of the same data type.
15	What is an enumeration?	An enumeration is a user-defined data type that contains a set of named constants.
16	What is a file?	A file is a collection of data stored on a storage device.
17	What is a directory?	A directory is a file that contains a list of files and sub-directories.
18	What is a path?	A path is a sequence of directories and files that leads to a specific file.
19	What is a file pointer?	A file pointer is a variable that points to a file.
20	What is a file mode?	A file mode is a string that specifies the mode in which a file is opened.
21	What is a file operation?	A file operation is an action performed on a file, such as opening, reading, writing, or closing.
22	What is a file stream?	A file stream is a sequence of characters that is read from or written to a file.
23	What is a file handle?	A file handle is a unique identifier for a file.
24	What is a file descriptor?	A file descriptor is a small integer that is used to identify an open file.
25	What is a file offset?	A file offset is a pointer to the current position in a file.
26	What is a file position indicator?	A file position indicator is a variable that indicates the current position in a file.
27	What is a file position indicator constant?	A file position indicator constant is a constant that specifies the file position indicator.
28	What is a file position indicator function?	A file position indicator function is a function that sets the file position indicator.
29	What is a file position indicator macro?	A file position indicator macro is a macro that sets the file position indicator.
30	What is a file position indicator variable?	A file position indicator variable is a variable that stores the file position indicator.

UNIVERSITY OF THE SOUTH ALABAMA
SCHOOL OF BUSINESS ADMINISTRATION
BUSINESS ADMINISTRATION MAJOR

ACADEMIC ADVISORY BOARD

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9. DATE: _____

QUESTION

1. The following table shows the number of people who attended a sports event at different times of the day. The total number of people who attended the event is 1200.

Time	Number of people
10:00 am - 12:00 pm	300
12:00 pm - 2:00 pm	400
2:00 pm - 4:00 pm	500
4:00 pm - 6:00 pm	600

QUESTION

2. The following table shows the number of people who attended a sports event at different times of the day. The total number of people who attended the event is 1200.

Time	Number of people
10:00 am - 12:00 pm	300
12:00 pm - 2:00 pm	400
2:00 pm - 4:00 pm	500
4:00 pm - 6:00 pm	600

QUESTION

3. The following table shows the number of people who attended a sports event at different times of the day. The total number of people who attended the event is 1200.

QUESTION

4. The following table shows the number of people who attended a sports event at different times of the day. The total number of people who attended the event is 1200.

1. The first part of the document discusses the importance of maintaining accurate records in a laboratory setting. It emphasizes that proper documentation is essential for ensuring the reliability and reproducibility of experimental results. This includes recording the date, time, and conditions of each experiment, as well as the names of the individuals involved.

2. The second part of the document outlines the various methods used to collect and analyze data. It describes the use of different instruments and techniques, such as spectrophotometry and chromatography, to measure the concentration of various substances. It also discusses the importance of using appropriate statistical methods to analyze the data and determine the significance of the results.

3. The third part of the document discusses the importance of safety in a laboratory setting. It emphasizes that all laboratory work should be conducted in a safe and controlled environment, and that all personnel should be properly trained in the use of laboratory equipment and procedures. It also discusses the importance of wearing appropriate personal protective equipment (PPE) and following all safety protocols.

4. The fourth part of the document discusses the importance of quality control in a laboratory setting. It emphasizes that all laboratory work should be conducted in accordance with established quality control procedures, and that all results should be carefully reviewed and verified. It also discusses the importance of maintaining accurate records of all quality control activities.

5. The fifth part of the document discusses the importance of communication in a laboratory setting. It emphasizes that all laboratory work should be conducted in a collaborative and open environment, and that all personnel should be encouraged to share their ideas and findings. It also discusses the importance of using clear and concise language when writing reports and presenting results.

6. The sixth part of the document discusses the importance of ethics in a laboratory setting. It emphasizes that all laboratory work should be conducted in accordance with established ethical guidelines, and that all personnel should be held accountable for their actions. It also discusses the importance of maintaining the integrity of the scientific process and avoiding any form of plagiarism or data manipulation.

7. The seventh part of the document discusses the importance of environmental safety in a laboratory setting. It emphasizes that all laboratory work should be conducted in a way that minimizes the risk of environmental contamination, and that all waste should be properly disposed of. It also discusses the importance of using environmentally friendly materials and procedures.

Page 1 of 1

Exam Question

- 1. The following table shows the results of a survey of 100 people. The table is divided into four quadrants by the gender of the respondent and the type of car they drive.

Gender	Car Type	Number of Respondents
Male	Small	35
Male	Large	25
Female	Small	20
Female	Large	20

