

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

**ACCOUNTANCY & AUDITING
PAPER - I**

NOTE: (i) Attempt FIVE questions in all including question No. 8 which is compulsory. All questions carry EQUAL marks.
(ii) Extra attempt of any question or any part of the attempted question will not be considered
(iii) Candidate must draw two straight lines (=====) at the end to separate each question attempted in Answer Books.

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.

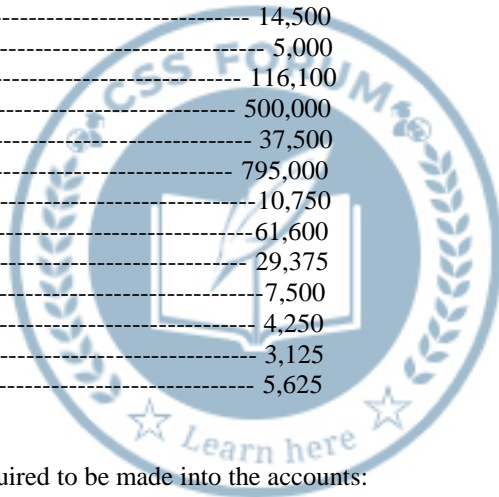
Required:

- (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
1,417,225	1,417,225



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)

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**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

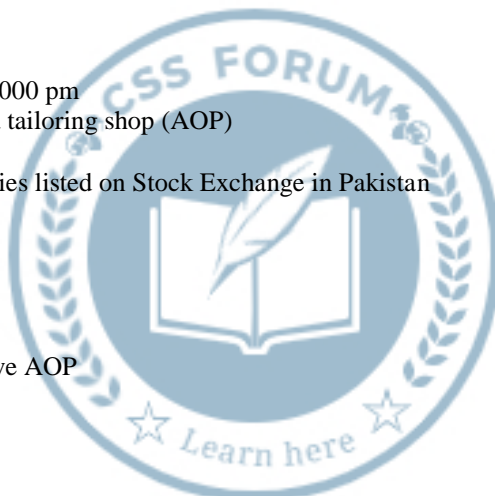
Q6. The following particulars in respect of Mohammad Ali for the year ended on June 30, 2005 are available:
Particulars Rs

- (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)

