

# FEDERAL PUBLIC SERVICE COMMISSION



## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT, 2013

Roll Number

### ACCOUNTANCY & AUDITING, PAPER-I

<b>TIME ALLOWED:</b>	<b>(PART-I MCQs)</b>	<b>30 MINUTES</b>	<b>MAXIMUM MARKS: 20</b>
<b>THREE HOURS</b>	<b>(PART-II)</b>	<b>2 HOURS &amp; 30 MINUTES</b>	<b>MAXIMUM MARKS: 80</b>
<b>NOTE:</b> (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) Use of Calculator is allowed.			

### PART-I ((MCQs) (COMPULSORY))

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

- Double Entry Book Keeping was fathered by:  
(a) Luca Paioli (b) Yoyji Ijiri (c) Micheal Hammer (d) Ishikawa
- Accumulated loss of a company is shown in the balance sheet as:  
(a) Liability (b) As an asset (c) As foot note to balance sheet (d) None of these
- Under the Companies Ordinance 1984, disclosure of financial information is legally required for listed companies under:  
(a) Schedule 6 (b) Schedule 5 (c) Schedule 4 (d) Schedule 8
- A company is considered sick under the Companies Ordinance 1984 where current ratio is:  
(a) Below 0.5 : 1 (b) Below 3 : 1 (c) Above 2.5 : 1 (d) None of these
- Banks are required to prepare their financial statements as per following legislation:  
(a) Free to prepare with no legislative requirements (b) Under Companies Ordinance 1984  
(c) Banking Ordinance 1962 (d) State Bank Laws
- Preparation of financial statement of listed insurance companies in Pakistan is governed by:  
(a) Insurance Act 1938 (b) Insurance Ordinance 2000 (c) Companies Act 1913 (d) Companies Ordinance 1984
- Trading loss occurs when:  
(a) Revenues exceed the matching relevant costs. (b) Revenue and matching costs are equal to each other.  
(c) When relevant matching cost exceeds revenues (d) None of these
- Accounting requirements governing NGOs are prescribed in:  
(a) Partnership Act 1932 (b) Cooperative societies legislation (c) Companies Ordinance 1984 (d) None of these
- Work sheet is equivalent to:  
(a) Balance sheet (b) Income statement (c) Trial Balance (d) None of these
- Work sheet does include:  
(a) Fund flows statement (b) Cash generation statement (c) Cash flow statement (d) None of these
- Deffered tax is shown in the balance sheet as:  
(a) Liability (b) Asset (c) An expenditure in income statement (d) None of these
- The following represent tangible assets and are shown in the balance sheet as:  
(a) People (b) Expenses (c) Revenue (d) Goodwill
- Under the Rule of thumb a good current ratio is:  
(a) 6 : 1 (b) 10 : 1 (c) .05 : 1 (d) 2 : 1
- Financial analysis is a legislative requirement under:  
(a) Companies Ordinance 1984 (b) Partnership Act 1932 (c) Voluntary act (d) None of these
- Pakistan follows the following budgeting system at Federal level:  
(a) Zero-Based Budgeting (b) Program Budgeting  
(c) Responsibility Budgeting (d) Incremental / decremental budgeting
- Preparation of budget by a company is compulsory under:  
(a) No Law (b) Several laws (c) Securities & Exchange Ordinance 1969 (d) Companies Ordinance 1984
- Depreciation must be accounted for:  
(a) Revenues (b) Fixed Assets (c) Share Capital (d) None of these
- Accelerated depreciation is allowed under:  
(a) Income Tax Ordinance 2001 (b) Voluntary principals (c) Prudential Regulations (d) None of these
- Partnerships are legally required to prepare their financial statements for distribution on wide basis under:  
(a) Partnerships Act 1932 (b) Securities & Exchange Rules 2000  
(c) Voluntary Act for Compliance (d) None of these
- A company is considered sick if the market value compared to its par value is:  
(a) 1 : 1 (b) 2 : 1 (c) 0.25 : 1 (d) None of these

**PART-II**

- NOTE:** (i) **Part-II** is to be attempted on the separate **Answer Book**.  
 (ii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper**.  
 (iii) Attempt **ONLY FOUR** questions from **PART-II**, selecting **TWO** questions from **EACH SECTION**. **ALL** questions carry **EQUAL** marks.  
 (iv) Extra attempt of any question or any part of the attempted question will not be considered.  
 (v) **Use of Calculator is allowed.**

**SECTION-A**

**Q.2.** The following information is available:

**(20)**

Trial Balance as at December 31, 2012.

Particulars	Debit Rs.	Credit Rs.
Capital		6400000
Drawings	1813800	
Goodwill	3618200	
Land & Buildings	2400000	
Plant & Machinery	1600000	
Loose Tools	120000	
Bills Receivable	145800	
Bills Payable		1352000
Creditors		3068840
Purchase Returns		106000
Sales		8720000
Stock, 1 <sup>st</sup> Jan 2011	1677800	
Purchases	2050800	
Wages	858000	
Carriage Outward	22160	
Carriage inward	55000	
Coal & gases	234160	
Salaries	1414560	
Rent, Rates & Taxes	113000	
Discount	60520	
Cash at Bank	1016840	
Cash in Hand	18600	
Sundry Debtors	1800000	
Repairs & maintenance	74600	
Printing & Stationery	20600	
Bad Debts	48520	
Advertisements	140840	
Sales Returns	85000	
Furniture	48000	
General Expenses	210040	
	<b>19646840</b>	<b>19646840</b>

The following adjustments are to be made:

1. Closing Stock as on December 31, 2011 was Rs 1400000.
2. Depreciation is to be provided on the following assets:
  - Plant & Machinery            10 %
  - Loose Tools                    10 %
  - Furniture                        10 %
  - Land & Buildings            2.5 %
3. Provide for the following payables:
  - Wages – Rs. 60000
  - Advertisements – Rs. 20000
  - Salaries – Rs.120000
  - Repairs & Maintenance – Rs. 15000
4. Provide 5 % on the debtors against bad debts and 2 % against discounts.

**Required:-** Prepare Trading, Profit & Loss Account and Balance Sheet as at December 31, 2011 from the above Data.

- Q.3.** The following results of a company are available: (20)
- a. Current Ratio 6 : 1
  - b. Quick Ratio 0.50 : 1
  - c. Debt Equity Ratio 90 : 10
  - d. Collection index 136 days
  - e. Time Interest Earned 08 : 1

**Required:-**

Offer your comments on each of the above regarding their adequacy or otherwise.

- Q.4.** Review salient features of Zero-based Budgeting. Who authored it? Is it relevant to conditions prevailing in Pakistan? Present your view point candidly. (20)

**SECTION-B**

- Q.5.** Present legal requirements governing preparation of financial statements of an Insurance Company under Insurance Ordinance, 2000. Illustrate your answer wherever your can. (20)

- Q.6.** G and D are equal partners in a business in which the books are kept by single entry. Their position on July 01, 2012 was as under: (20)

Liabilities	Rs.	Assets	Rs
Bills Payable	62000	Cash in Hand	2700
Sundry Creditors	200000	Cash in Bank	138800
Capital Accounts G Rs 800000	1600000	Bills Receivable	46000
Capital Accounts D Rs 800000		Sundry Debtors	486500
		Stock	338000
		Plant & Machinery	800000
		Furniture & fixture	50000
	<b>1862000</b>		<b>1862000</b>

The following existed as state of affairs as on June 30, 2012.

- Cash in hand Rs 4000
- Cash at bank Rs 158000
- Sundry Creditors Rs 212000
- Stock Rs 367000
- Sundry debtors Rs 668000
- Bills Payable Rs 6000
- Bills Receivable Rs 88000
- Plant & Machinery is to be depreciated at 10 %

**Required:-**

Calculate the profit for the year ended on June 30, 2012 and draw up the statement of affairs as on that date showing the accounts of the partners in details assuming G withdrew Rs.100000 and D withdrew Rs.80000 during the year.

- Q.7.** Currently there is a growing interest of more and more disclosure in financial reports of corporate. (20)

You are required to first list and then explain the following:-

1. Rationale behind the above movement.
2. Push forces behind the above trends.
3. How far one should go for full disclosure? Where one should stop?

- Q.8.** Define and illustrate the following: (20)

- a. Depreciation on Replacement cost
- b. Revaluation of assets and legal provisions governing this.
- c. Deferred Taxation
- d. Cash generation statement.

\*\*\*\*\*

# FEDERAL PUBLIC SERVICE COMMISSION



## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BS-17 UNDER THE FEDERAL GOVERNMENT, 2013

Roll Number

### ACCOUNTING & AUDITING, PAPER-II

<b>TIME ALLOWED:</b>	<b>(PART-I MCQs)</b>	<b>30 MINUTES</b>	<b>MAXIMUM MARKS: 20</b>
<b>THREE HOURS</b>	<b>(PART-II)</b>	<b>2 HOURS &amp; 30 MINUTES</b>	<b>MAXIMUM MARKS: 80</b>
<b>NOTE:</b> (i) First attempt <b>PART-I (MCQs)</b> on separate <b>OMR Answer Sheet</b> which shall be taken back after <b>30 minutes</b> . (ii) <b>Overwriting/cutting of the options/answers will not be given credit.</b> (iii) <b>Use of Calculator is allowed.</b>			

#### PART-I ((MCQs) (COMPULSORY)

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

- Break-up value of a share can be determined by:  
(a) Net assets method (b) Yield method (c) Stock exchange quotation (d) None of these
- In case a company is solvent, the interest on debentures is paid up to the date of:  
(a) The balance sheet (b) the commencement of winding up (c) Payment (d) None of these
- Which of the following is not concerned with the valuation of goodwill?  
(a) Earning capacity method (b) Super profit method (c) Average profit method (d) None of these
- Debenture holders having a floating charges have priority in payment over:  
(a) Preferential creditors (b) Secured creditors (c) Unsecured creditors (d) None of these
- Two companies, X Co. and Y Co., go into liquidation and a new Co., Z Ltd, is formed. It is case of:  
(a) Absorption (b) External Reconstruction (c) Amalgamation (d) None of these
- Expenses of liquidation met by vendor Company are debited to (by the Vendor company):  
(a) Realization account (b) Bank account (c) Goodwill account (d) None of these
- In the books of consignee the expenses incurred by him on consignment are debited to:  
(a) Consignment account (b) Sales account (c) Consignor's account (d) None of these
- Bonus in reduction of premium appears in the revenue account:  
(a) As a expense (b) As an income (c) As a profit (d) None of these
- A contributory is:  
(a) A creditor (b) Shareholder (c) Debenture holder (d) None of these
- Appropriations out of profits in case of a banking company are made in:  
(a) Profit & loss app. A/c (b) Profit & loss A/c (c) Balance sheet (d) None of these
- Rebate on bills discounted is:  
(a) An expense (b) An income (c) A liability (d) None of these
- Increase in amount of bills payable results in:  
(a) Increase the cash (b) Decrease the cash (c) Has not effect on cash (d) None of these
- Which of the followings is a non-operating income?  
(a) Profit on the sale of used plant in manufacturing company  
(b) Revenue from sales in trading concern (c) Dividends received by an investment company  
(d) Premiums received from an insurance company
- Which of the following is not a capital reserve?  
(a) Premium on the issue of shares (b) Profit prior to Incorporation  
(c) Dividend equalization reserve (d) Profit on the sales of fixed assets
- Depreciation as the term is used in accounting means:  
(a) Physical deterioration of a fixed asset (b) Decline in the market value of the asset  
(c) Allocation of the cost of fixed asset, over its useful life  
(d) Making a provision for the replacement of the fixed asset
- Posting a wrong amount in ledger causes:  
(a) The trial balance is out of balance (b) Dose not cause the trial balance to the out of balance  
(c) Cause the ledger account to be out of balance (d) None of these
- Bank over draft should be classified as:  
(a) Current asset (b) Current liability (c) Fixed asset (d) None of these
- The most important test of solvency of a business is calculated with the help of the following ratio:  
(a)  $\frac{\text{Net profit after taxes}}{\text{Total assets}}$  (b)  $\frac{\text{Total assets}}{\text{Total outside liabilities}}$  (c)  $\frac{\text{Total fixed assets}}{\text{Capital employed}}$  (d)  $\frac{\text{Total fixed assets}}{\text{Total equity}}$

**ACCOUNTING & AUDITING, PAPER-II**

- 19. Sales on account for company for the year ended December 31, 2012 amounted Rs. 50000, if the opening balance receivable was Rs. 10000 and the closing balance was Rs. 20000, the cash collected from customers must have been:-  
(a) 40000                      (b) 50000                      (c) 60000                      (d) 70000
- 20. Financial accounting reports are prepared primarily:  
(a) To value the property of the company      (b) To show managers the results of their departments  
(c) To help people make decisions about resource allocation (d) To show the value of shares in the company

**PART-II**

**NOTE:** (i) **Part-II** is to be attempted on the separate **Answer Book**.  
(ii) Candidate must write **Q. No.** in the **Answer Book** in accordance with **Q. No.** in the **Q. Paper**.  
(iii) Attempt **ONLY FOUR** questions from **PART-II**, selecting **ONE** question from **EACH SECTION A,B,C, and D. ALL questions carry EQUAL marks.**  
(iv) Extra attempt of any question or any part of the attempted question will not be considered.  
(v) **Use of Calculator is allowed.**

**SECTION-A (COST ACCOUNTING)**

Abbas manufacturing Company submitted following information at 31<sup>st</sup> December 2011. (20)

<b>Q.2.</b>	<b><u>Inventories</u></b>	<b><u>Opening</u></b>	<b><u>Closing</u></b>
	Raw Material	100000	30000
	Factory Supplies	2000	1000
	Work in process	50000	15000
	Finished goods	100000	_____?

**Other Data**

Direct labour	100000
Indirect labour	5000
Electric supply expenses	2000
Heating and lighting	4000
Workmen’s compensation	3000
Factory insurance	1000
Supertendence expenses	2000
Wages and rent factory	8000
Miscellaneous expenses	1000
Factory supplies purchases	3000
Raw material purchased	230000
Tool expenses	2000

Finished goods inventory 1<sup>st</sup> January 500 units, sold during the year 2011, 5500 units @ Rs. 300 per unit and the closing inventory of finished goods at 31<sup>st</sup> December 2011 was 550 units.

**Required**      (a) Cost of goods sold      (b) An income statement for the year 2011

**Q.3.** J.Town’s stock at 1<sup>st</sup> January 2012 consisted of 100 units, cost as follows:- (20)

FIFO	100 units @ £ 60	£ 6,000
Average cost	100 units @ £ 55	£ 5,500

During the year ended 31<sup>st</sup> December 2012 Town made the following sales and purchases:

	Purchases	Sales (units)
January	10 @ £ 60	
March		40
April	80 @ £ 100	
June		30
November		20
December	10 @ £ 120	

**Required**

J. Town’s stock at 31<sup>st</sup> December 2012 and the cost of goods sold for the year ended 31<sup>st</sup> December 2012 based on:

- (a) FIFO
- (b) Average cost (perpetual).

**SECTION-B (AUDITING)**

- Q.4.** (a) Explain the relationship between desired level of assurance and legal liability of Auditors? (10)  
 (b) List out five specific quantifiable events that an auditor can verify, and state specific criteria for evaluating the events. (10)
- Q.5.** (a) Distinguish between the responsibility for fraudulent omission and responsibility for unintentional errors. (10)  
 (b) Elaborate the different types of Audit, under the Companies Act 1984. (10)

**SECTION-C (INCOME TAX LAW)**

- Q.6.** The following is the profit & loss account of Bright Company (Public) Ltd. For the tax year 2010-2011. Find out the total taxable income of the company and total tax payable. (20)

	Rs		Rs.
Salaries & wages	80,000	Gross profit	171,600
Printing & stationary	10,000	Income from rented shop	21,000
Rent expenses	15,000	Casual income	10,000
Reserve for doubtful debts	7,000	Dividend	15,000
Director's fee	3,000	Winning from lottery	4,000
Donations	10,000	Sundry receipts	11,000
Cost of issue of debentures	2,500		
Loss of embezzlement	5,000		
Provision for gratuity	10,000		
Vehicle repair	20,000		
Depreciation	15,000		
Bad debts	1,100		
Income tax	21,000		
Rent, rate & tax	6,000		
Net profit	27,000		
	<b>2,32,600</b>		<b>2,32,600</b>

Notes:

1. Depreciation allowable Rs.11,800
2. Donations were paid to approved institutions.
3. Salaries and wages include Rs. 12,400 paid to the Director of the company

- Q.7.** From the following data, calculate income tax payable by Mr.Hassan Khan for the tax year ending 30<sup>th</sup> June 2011. (20)

- |                         |                |
|-------------------------|----------------|
| 1. Basic salary         | Rs. 26,000 p.m |
| 2. Medical allowance    | Rs. 35,00 p.m  |
| 3. House rent allowance | Rs. 16,000 p.m |
| 4. Bonus                | Rs. 8,000      |
| 5. Zakat deduction      | Rs. 5,200      |
| 6. Agriculture income   | Rs. 50,000     |

**SECTION-D (BUSINESS ORGANIZATION AND FINANCE)**

- Q.8.** (a) Identify three basic forms of business ownerships and state the merits and demerits of any one of them. (10)  
 (b) How does a corporation operate? What effective roles can be played by the Board of Directors and top management in a corporation? (10)
- Q.9.** Select any **Four** to describe moderately:- (5 each) (20)
- |                                |                                  |
|--------------------------------|----------------------------------|
| (a). Types of Share Capital    | (b). Prospects                   |
| (c). Sinking Fund              | (d). Issue of Shares at Discount |
| (e). Memorandum of Association | (f). Manufacturing Companies     |

\*\*\*\*\*