



**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION FOR**  
**RECRUITMENT TO POSTS IN BS-17**  
**UNDER THE FEDERAL GOVERNMENT, 2015**

Roll Number

**ACCOUNTANCY & AUDITING, PAPER-I**

<b>TIME ALLOWED: THREE HOURS</b> <b>PART-I(MCQS): MAXIMUM 30 MINUTES</b>	<b>PART-I (MCQS)</b> <b>PART-II</b>	<b>MAXIMUM MARKS = 20</b> <b>MAXIMUM MARKS = 80</b>
<p><b>NOTE: (i) Part-II is to be attempted on the separate Answer Book.</b></p> <p><b>(ii) Attempt ONLY FOUR questions from PART-II, selecting TWO questions from EACH SECTION. ALL questions carry EQUAL marks.</b></p> <p><b>(iii) All the parts (if any) of each Question must be attempted at one place instead of at different places.</b></p> <p><b>(iv) Candidate must write Q. No. in the Answer Book in accordance with Q. No. in the Q.Paper.</b></p> <p><b>(v) No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.</b></p> <p><b>(vi) Extra attempt of any question or any part of the attempted question will not be considered.</b></p> <p><b>(vii) Use of Calculator is allowed.</b></p>		

**PART-II**  
**SECTION-A**

Q. No. 2. Malcolm's trial balance as at 30<sup>th</sup> June, 2012 was as follows:- (20)

	£	£
Capital account as at 1 <sup>st</sup> July, 2011		29,000
Creditors		21,000
Debtors	22,650	
Cost of goods sold	144,000	
Drawings	32,100	
Sales		243,000
Stock	36,000	
Vehicles	21,000	
Wages expenses	14,250	
Sundry expenses	3,000	
Rent expenses	13,500	
Insurance expenses	2,000	
Cash at bank	4,500	
	<b>293,000</b>	<b>293,000</b>

The following information is relevant:

1. Wages payable but unpaid at 30<sup>th</sup> June, 2012 amounted to £ 750.
2. Rent accrued and unpaid to 30<sup>th</sup> June, 2012 amounted to £ 3,000.
3. The figure of insurance expenses includes a prepayment at 30<sup>th</sup> June, 2012 of £ 1,000.
4. The vehicle to be are depreciated at the rate of 25 percent per annum. As the vehicle was purchased at the beginning of the year, no depreciation has yet been charged. A full year's depreciation is now to be charged.
5. Bad debts of £ 2,650 are to be written off and provision is to be made for doubtful debts to 10 percent of the remaining debtors.

**Required:** Prepare Malcom's profit and loss account for the year ended on 30<sup>th</sup> June, 2012 and his balance sheet as at that date.

Q. No. 3. Listed below are nine technical terms: (20)

<b>Trend percentage</b>	<b>Leverage</b>	<b>Inventory turnover</b>
<b>Vertical analysis</b>	<b>Yield</b>	<b>Operating cycle</b>
<b>Return on assets</b>	<b>Quick ratio</b>	<b>Book value per share</b>

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 term.

- a. Buying assets with money raised by borrowing or by issuing preferred stock.
- b. The proportion of total assets financed by stockholders, as distinguished from creditors.
- c. Net asset represented by each share of stock.
- d. Changes in financial statement items from a base year to following years expressed as a percentage of the base year amount and designed to show the extent and direction of change.
- e. Dividends per share divided by market price per share.
- f. Average time period between the purchase of merchandise and the conversion of this merchandise back into cash.
- g. Comparison of a particular financial statement item to a total including that item.
- h. Net sales divided by average inventory.
- i. Comparison of highly liquid current assets (cash, marketable, securities and receivable) with current liabilities.

## ACCOUNTANCY & AUDITING, PAPER-I

- Q. No. 4.** (a) Discuss the limitations of ratio analysis and why they arise. Do you think that they are so serious as to undermine the validity of this approach to the analysis of financial statements? (10) (20)
- (b) Financial statements are prepared to seek the financial position of an organization. How much the above statement is helpful to overcome the financial issues facing by an organization? Justify the above statement with solid reasons. (10)

### SECTION-B

- Q. No. 5.** Piers, Quick, Right and Squires were in partnership, sharing profits and losses in the ratio 4:3:2:1. They decided to dissolve the partnership on 31<sup>st</sup> December, 2012 at which date the balance sheet of the partnership was as follow: (20)

	£	£		£
Capital accounts			Goodwill	20,000
Piers	60,000		Land and	
Quick	30,000		Buildings	110,000
Right	60,000		Stock	20,000
Squires	20,000	170,000	Debtors	40,000
Creditors		30,000	Balance at bank	10,000
		£200,000		£200,000

The assets were realized as follows:

		£
5 <sup>th</sup> Jan.	Stock	18,000
8 <sup>th</sup> Jan.	Debtors (part)	16,000
2 <sup>nd</sup> Feb.	Good will	6,000
2 <sup>nd</sup> Feb.	Land and buildings (part)	22,000
1 <sup>st</sup> Mar.	Debtors (balance)	20,000
1 <sup>st</sup> Mar.	Land and buildings (balance)	120,000

The partners decided that, as soon as the creditors were paid, any cash received should be immediately distributed to the partners.

All the creditors were paid on 11<sup>th</sup> January, after deducting cash discounts of £ 2,000.

On 1<sup>st</sup> March it was decided that the remaining debts were irrecoverable and that the dissolution should be considered as being completed.

**Required:** Prepare a schedule setting out the payments that could be made to the partners subject to the provision that there should be no possibility that any of the partners would be called upon to repay cash. Realisation expenses should be ignored.

- Q. No. 6.** (a) Why should the essential features of internal control be designed into all accounting systems? Justify your answer. (10)
- (b) What requirement is imposed by double entry system in the recording of any business transaction? (10) (20)

- Q. No. 7.** Acne Plumbing Company's balance sheet of year 2011: (20)

	<u>Rs.</u>		<u>Rs.</u>
<b><u>Assets</u></b>		<b><u>Liabilities</u></b>	
Cash	30,000	Accounts payable	230,000
Accounts receivable	200,000	Accruals	200,000
Inventory	400,000	Bank loan	100,000
Net fixed assets	800,000	Long term debt	300,000
		Common stock	100,000
		Retained earning	500,000
<b>Total assets</b>	<b>1,430,000</b>	<b>Liabilities and stock holders equity</b>	<b>1,430,000</b>

Further information: Sales were Rs. 4,000,000/-, Cost of Goods sold were Rs. 3,200,000/-  
Net Profit was Rs. 300,000/-

**Required:**

**Compute the following ratios:**

Current ratio, Acid test ratio, Average collection period, Inventory turnover, Total debt/equity, Long term debt/Gross profit margin, Net profit margin, Total assets turnover, Return on assets.

## ACCOUNTANCY & AUDITING, PAPER-I

- Q. No. 8.** Lane Insurance Agency began business on April 1, 2012. Assume that the accounts are closed and financial statements prepared each month. The company occupies rented office space but owns office equipment estimated to have a useful life of 10 years from date of acquisition, April 1. The trial balance for Lane Insurance Company at June 30, 2012, is shown below: **(20)**

	\$	\$
Cash	1,275	
Accounts receivable	605	
Office equipment	6,000	
Accumulated depreciation: office equipment		100
Accounts payable		1,260
Richard Lane, Capital, May 31, 2012		6,500
Richard Lane, drawing	1,000	
Commissions earned		3,710
Advertising expenses	500	
Rent expenses	370	
Telephone expenses	120	
Salaries expenses	1,700	
	<u>11,570</u>	<u>11,570</u>

- a. Prepare the adjusting journal entry to record depreciation of the office equipment for the month of June.
- b. Prepare an adjusted trial balance at June 30, 2012.
- c. Prepare an income statement for the month ended June 30, 2012 and a balance sheet in report form at June 30, 2012. In the owner's equity section of the balance sheet, show the changes in the owner's capital account during the period.

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**ACCOUNTANCY & AUDITING, PAPER-II**

<b>TIME ALLOWED: THREE HOURS</b> <b>PART-I(MCQS): MAXIMUM 30 MINUTES</b>	<b>PART-I (MCQS)</b> <b>PART-II</b>	<b>MAXIMUM MARKS = 20</b> <b>MAXIMUM MARKS = 80</b>
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**PART-II**  
**SECTION-A (COST ACCOUNTING)**

- Q. No. 2.** Pak PVC (Pvt) Ltd. manufactures a high-quality plastic pipe in two departments, Cooking and Molding. After the cooking is completed, the completed units are transferred into the Molding Department, in which pipe is formed. The following data was reported for the Cooking Department during January 2015: **(20)**

Pounds in process, May 1.....	0
Pounds started into production during January.....	185000
Pounds completed and transferred to Molding Department.....	175000
Pounds in process, May 31 (materials 100%, conversion 30%).....	10000
Cost added during January:	
Materials cost.....	Rs. 55,500
Conversion cost.....	Rs. 356,000

**Required:** Prepare a cost of production report for Cooking Department

- Q. No. 3.** Following data was reported for Ibrahim Cottage Textile for the year ended December 31, 2014: **(20)**

Administrative Expenses	Rs. 150,000
Depreciation, factory equipment	19,000
Direct labor	70,000
Finished goods inventory, beginning	20,000
Finished goods inventory, ending	35,000
Indirect labor	30,000
Insurance, factory equipment	800
Maintenance, factory equipment	6,000
Purchases of raw materials	118,000
Raw materials inventory, beginning	7,000
Raw materials inventory, ending	15,000
Rent, factory facilities	20,000
Sales	800,000
Supplies	4,200
Work in process, beginning	10,000
Work in process, ending	5,000

**Required:** Prepare a cost of goods sold statement.

**SECTION-B (AUDITING)**

- Q. No. 4.** (a) Explain the statutory rights and duties of a company auditor. (10) (20)  
(b) Explain “Internal controls of an organization”. What are the techniques used for the evaluation of internal control system? Discuss. (10)
- Q. No. 5.** (a) “Vouching is the essence of Auditing”. Explain. What special points would you keep in mind while vouching payments? (10) (20)  
(b) What is meant by a continuous audit? Why do you think this is necessary? (10)

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

- Q. No. 6.** (a) “What are the different types of perquisites enjoyed by the salaried individuals? Discuss. (10) (20)  
(b) Discuss in detail the tax treatment under the income tax ordinance, 2001 for the following facilities that are provided by employer to the employees. (10)  
(i) Entertainment (ii) Loan to employees  
(iii) Accommodation (iv) Conveyance

- Q. No. 7.** Compute taxable income of Miss. Faryal for the tax year ended on June 30, 2013 on the basis of following information: (20)

Basic Salary	600,000
Dearness Allowance	15,000
Bonus	50,000
Project Allowance	7,000
Entertainment Allowance	5,000
Principal Allowance	25,000
Donation to Shaukat Khanam Memorial Hospital, Lahore	40,000
Donation to University of the Punjab, Lahore	20,000
Zakat paid under the zakat and Ushr Ordinance, 1980	50,000
Overseas allowance	30,000
M.Phil allowance	60,000
Gain on sale of shares of Public Company (Sold within 6 Months)	150,000
Rent from Sublease of property (building)	200,000
Income from Property	300,000
Travelling allowance and Daily allowance (TA/DA)	25,000
Net profit from manufacturing business	100,000
Tax deducted at source from salary	30,000
Tax paid on registration of new locally manufactured motor vehicle	10,000
Efficiency honorarium	18,000
Utilities allowance	20,000

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

- Q. No. 8.** What are Articles and Memorandum of Association? Explain the basic contents of these documents. (20)
- Q. No. 9.** Explain the following: (5 each) 20
- (a) Liquidity and effect of short term loans on liquidity  
(b) Capital market and its instruments  
(c) Money market and its instruments  
(d) Role and functions of Commercial Banks

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