



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

ACCOUNTANCY AND AUDITING, PAPER-I

Roll Number

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)

- (i) What is meant by event in accounting?
- (ii) What is the meaning of equity?
- (iii) Define separate entity concept.
- (iv) Narrate the meaning of conservatism.
- (v) Differentiate among provision, reserve and fund.
- (vi) What is meant by footing?
- (vii) What is amortisation?
- (viii) What is controlling account?
- (ix) Define contingent assets.
- (x) 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	15600	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.



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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)**
