

# FEDERAL PUBLIC SERVICE COMMISSION



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

Roll Number
QuickJobs.pk

### ACCOUNTING & AUDITING, PAPER-II

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

1. 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
2. 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
3. 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
4. Debenture holders having a floating charges have priority in payment over:
  - (a) Preferential creditors
  - (b) Secured creditors
  - (c) Unsecured creditors
  - (d) None of these
5. 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
6. 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
7. 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
8. 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
9. A contributory is:
  - (a) A creditor
  - (b) Shareholder
  - (c) Debenture holder
  - (d) None of these
10. 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
11. Rebate on bills discounted is:
  - (a) An expense
  - (b) An income
  - (c) A liability
  - (d) None of these
12. 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
13. 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
14. 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
15. 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
16. 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
17. Bank over draft should be classified as:
  - (a) Current asset
  - (b) Current liability
  - (c) Fixed asset
  - (d) None of these
18. 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)  $\frac{\text{Total fixed assets}}{\text{Total equity}}$

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)**

**Q.2.**

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

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