

**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 below.

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 mark 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)